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File #: 182143

February 16, 2021

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Joint Petition for Consolidation of Proceedings and Approval of the Phase IV Energy Efficiency and Conservation Plan of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company - Docket Nos. M-2020-3020820, M-2020-3020821, M-2020-3020822, M-2020-3020823

Dear Secretary Chiavetta:

Enclosed is the Joint Petition for Settlement of All Issues for filing in the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

Devin Ryan

DR/jl
Enclosures

cc: Honorable Mark A. Hoyer
Honorable Emily I. DeVoe
Certificate of Service

CERTIFICATE OF SERVICE

(Docket Nos. M-2020-3020820, M-2020-3020821, M-2020-3020822, M-2020-3020823)

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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Date: February 16, 2021

Devin T. Ryan

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Joint Petition for Consolidation of Proceedings and Approval of the Phase IV Energy Efficiency and Conservation Plan of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company	:	**Docket Nos. M-2020-3020820** **M-2020-3020821** **M-2020-3020822** **M-2020-3020823**

JOINT PETITION FOR SETTLEMENT OF ALL ISSUES

TO DEPUTY CHIEF ADMINISTRATIVE LAW JUDGE MARK A. HOYER AND ADMINISTRATIVE LAW JUDGE EMILY I. DEVOE:

Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company (collectively, "FirstEnergy Companies" or the "Companies"), the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"), the Community Action Association of Pennsylvania ("CAAP"), the Met-Ed Industrial Users Group ("MEIUG"), the Penelec Industrial Customer Alliance ("PICA"), the West Penn Power Industrial Intervenors ("WPPII"), and The Pennsylvania State University ("PSU"), all parties in the above-captioned proceeding (hereinafter collectively referred to as the "Joint Petitioners"), hereby file this Joint Petition for Settlement of All Issues ("Settlement") and respectfully request that Deputy Chief Administrative Law Judge Mark A. Hoyer and Administrative Law Judge Emily I. DeVoe (the "ALJs") and the Pennsylvania Public Utility Commission ("Commission") approve this Settlement without modification.

As set forth and explained below, the Joint Petitioners have agreed to a Settlement of all issues in the above-captioned proceeding. The Settlement provides for the approval of the Companies' Phase IV Energy Efficiency and Conservation ("EE&C") Plan ("Phase IV Plan" or "Plan") as modified by the terms and conditions of the Settlement.

I. BACKGROUND

1. On November 30, 2020, the Companies filed the above-captioned Joint Petition with the Commission. This filing was made pursuant to Act 129 of 2008 ("Act 129"), P.L. 1592, 66 Pa.C.S. §§ 2806.1 and 2806.2, and the Commission's Implementation Order entered on June 18, 2020.[1]

2. In their Joint Petition, the FirstEnergy Companies requested Commission approval of the Companies' Phase IV Plan. The Phase IV Plan includes a suite of programs that are designed to meet the additional consumption reduction targets and coincident peak demand reduction targets adopted by the Commission's Phase IV Implementation Order during the five-year period from June 1, 2021, through May 31, 2026 ("Phase IV Period"). Included with the Joint Petition were the Companies' written direct testimony and exhibits.

3. On December 11, 2020, CAUSE-PA filed a Petition to Intervene and Answer.

4. On December 21, 2020, the OSBA filed a Notice of Intervention, Public Statement, Verification, and Notice of Appearance. Further, the OCA filed a Notice of Intervention and Public Statement. CAAP also filed a Petition to Intervene.

5. On December 30, 2020, a Prehearing Conference Order was issued, which scheduled a prehearing conference for 10:00 AM on January 5, 2021, and directed the parties to

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[1] *Energy Efficiency and Conservation Program Implementation Order*, Docket No. M-2020-3015228 (Implementation Order entered June 18, 2020) ("Phase IV Implementation Order").

file prehearing conference memoranda on or before 2:00 PM on January 4, 2021. A Notice was also issued scheduling the prehearing conference for January 5, 2021.

6. On January 4, 2021, the OSBA, OCA, CAAP, CAUSE-PA, and the Companies filed their prehearing memoranda. Also, a Joint Petition to Intervene was filed on behalf of MEIUG, PICA, and WPPII. Moreover, the Companies filed copies of Met-Ed/Penelec/Penn Power/West Penn Exhibits AJW-1 through AJW-5 that were inadvertently omitted from the November 30, 2020 filing.

7. On January 5, 2021, the prehearing conference was held as scheduled before ALJ Hoyer. During the prehearing conference, ALJ Hoyer granted the Companies' request to consolidate their EE&C Plan proceedings and granted the interventions of CAUSE-PA, CAAP, MEIUG, PICA, and WPPII. After the prehearing conference, a Notice was issued scheduling a telephonic evidentiary hearing for January 22, 2021.

8. On January 6, 2021, a Notice was issued adding ALJ Emily I. DeVoe as a presiding ALJ in this proceeding. Also, a Prehearing Order was issued that, among other things, established procedural rules for the proceeding, modified the Commission's discovery rules, and memorialized the litigation schedule adopted at the prehearing conference.

9. On January 8, 2021, CAUSE-PA, CAAP, OCA, OSBA, and other parties filed a Joint Expedited Motion for Extension of Procedural Schedule in all of the Act 129 Phase IV EE&C Plan proceedings. Also, PSU filed a Petition to Intervene in the instant proceeding.

10. On January 11, 2021, the ALJs issued an Interim Order directing the parties to respond to the Joint Expedited Motion and the Office of Administrative Law Judge's ("OALJ") proposed revised schedule. The Companies also filed a letter indicating they did not have any objection to PSU's Petition to Intervene.

11. On January 13, 2021, OCA, CAUSE-PA, and PSU served their written direct testimony and exhibits. Moreover, the Companies, OCA, OSBA, and CAUSE-PA filed letters in accordance with the January 11, 2021 Interim Order.

12. On January 14, 2021, Chief Administrative Law Judge Charles E. Rainey, Jr. issued an Order denying the Joint Expedited Motion for Extension of Procedural Schedule and adopting OALJ's proposed revised schedule.

13. On January 15, 2021, the ALJs emailed the parties advising that they were suspending the litigation schedule and canceling the evidentiary hearing scheduled for January 22, 2021, and would meet with the parties on January 19, 2021, to set a new litigation schedule and hearing date.

14. On January 19, 2021, the ALJs held a conference call with the parties, during which the parties and the ALJs agreed upon a new litigation schedule that conformed to the OALJ's proposed revised schedule. After that conference call, the Commission issued a Notice rescheduling the evidentiary hearing for February 5, 2021.

15. On January 21, 2021, the Pennsylvania Coalition of Local Energy Efficiency Contractors ("PA-CLEEC") filed Comments on the Companies' Phase IV Plan.

16. On January 22, 2021, Comments on the Company's Phase IV Plan were filed by Daikin U.S. Corporation ("DUS"), Energy Efficiency for All Pennsylvania Coalition ("PA-EEFA"), Community Action Committee of the Lehigh Valley ("CACLV"), and Keystone Energy Efficiency Alliance ("KEEA"). PA-CLEEC also re-filed its Comments.

17. On January 25, 2021, Ceres filed its Comments on the Companies' Phase IV Plan.

18. On January 25, 2021, the OCA served its written supplemental direct testimony, and the Companies, CAAP, and PSU served their written rebuttal testimony and exhibits.

19. On January 26, 2021, the ALJs issued an Interim Order revising the litigation schedule, rescheduling the evidentiary hearing, and granting PSU's intervention.

20. On February 2, 2021, the Companies served their written supplemental rebuttal testimony.

21. On February 4, 2021, the parties emailed the ALJs with a cross-examination matrix, a list of parties' testimony and exhibits, and copies of the parties' testimony and exhibits.

22. On February 5, 2021, the parties informed the ALJs that all parties had waived cross-examination and that a settlement of all issues was likely. The ALJs then held the evidentiary hearing as scheduled, where the parties moved their pre-served written testimony and exhibits into the record.

23. The parties subsequently achieved a unanimous settlement of all issues.

24. The parties also engaged in multiple rounds of discovery during the course of the proceeding.

25. The Joint Petitioners are in full agreement that the Settlement is in the public interest and should be approved by the Commission.

26. The Settlement agreed to by the Joint Petitioners is as follows:

II. SETTLEMENT

A. GENERAL

27. The following terms of this Settlement reflect a carefully balanced compromise of the interests of all the active parties in this proceeding. The Joint Petitioners unanimously agree that the Settlement is in the public interest.

28. The Joint Petitioners agree that the FirstEnergy Companies' Phase IV Plan should be approved, subject to the terms and conditions of this Settlement specified below.

B. RESIDENTIAL LOW-INCOME PROGRAM

29. The Companies agree to decrease their Limited Income School Education subprogram megawatt hour ("MWh") savings by 30% and will target an equivalent increase in MWh savings from insulation, air sealing, duct sealing, heat pumps and residential heat pump water heaters delivered through the Low-Income Weatherization and/or Low-Income Multifamily subprograms in the aggregate, respectively, over the proposed Plan targets, based on having available program budgets.

30. The Companies agree to target a proportional number of low-income schools through the general residential Energy Efficient Homes School Education subprogram, based on available program budget.

31. The Companies agree to remove Water Coolers, Water Heaters, Variable Speed Pool Pumps, and Electric Vehicle Charging Cords from their Low-Income Energy Efficiency Program Appliances rebate offering and to reallocate the associated budget to prioritize higher levels of the remaining equipment efficiency through both marketing and providing enhanced tiered incentives.

32. The Companies will target the installation of 75 heat pump water heaters and/or ductless mini-split heat pumps annually under their Low-Income Energy Efficiency Program, at no upfront cost to the customer, pending available program budget and suitable housing stock.

33. The Companies will continue to coordinate their low-income energy efficiency programs with other programs in their service territory and will present and solicit input on their coordination efforts with stakeholders on an annual basis throughout Phase IV implementation.

34. The Companies will continue to implement their low-income programs after meeting the low-income carve-outs subject to the Commission-approved budget for the Phase IV programs.

35. The Companies will develop a list of available housing rehabilitation providers in their service territories that they will provide to households served through their Act 129 programs when health and safety issues are identified in the home that cannot be remediated through the Companies' existing programming. The Companies will work with their universal service program administrators to help create and maintain the list for use by the Companies' Low-Income Conservation Service Provider ("CSP").

C. RESIDENTIAL PROGRAM

36. The Companies agree to decrease their Residential Behavioral and Limited Income Behavioral subprogram MWh savings by 13% each and will target equivalent increases in MWh savings from the Residential Energy Efficient Products Appliances and/or Residential Multifamily subprograms in the aggregate, and the Low-Income Weatherization and/or Low-Income Multifamily subprograms in the aggregate, respectively, over the proposed Plan targets, based on having available program budgets. These funds will be used to fund insulation, air sealing, duct sealing, heat pumps, residential heat pump water heaters, and residential appliances.

D. SMALL AND LARGE COMMERCIAL/INDUSTRIAL PROGRAMS

37. For Phase III pre-approved projects that have not been completed prior to the conclusion of Phase III, applications will be processed as part of the same Phase IV programs without re-application, consistent with the Companies' review and eligibility requirements.

38. To the extent that the Companies change CSPs for Phase IV, the Companies will provide advance notice of such change through both their program website and program allies.

39. The Companies will conduct a review of the application process with their Phase IV CSPs to identify and make improvements, as warranted.

E. PJM PEAK DEMAND

40. Upon request from any signatory to the Settlement and subject to execution of a confidentiality agreement, following the filing of each energy efficiency annual report, the Companies will provide the aggregate amount of energy efficiency resources offered and cleared in all PJM Interconnection LLC ("PJM") forward capacity market auctions that occurred during the applicable Plan year, as well as the applicable auction clearing prices.

F. COST RECOVERY

41. The Companies will amend their Rider F language as shown in **Appendix A** attached to this Joint Petition.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

42. Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. Settlements reduce the time and expense that parties must expend litigating a case and, at the same time, conserve administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. *See id.* § 69.401. To accept a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. PUC v. York Water Co.*, Docket No. R-00049165 (Order Entered Oct. 4, 2004); *Pa. PUC v. C.S. Water and Sewer Assocs.*, 74 Pa. P.U.C. 767 (1991).

43. This Settlement was achieved by the Joint Petitioners after an extensive investigation of the FirstEnergy Companies' Phase IV Plan, including extensive informal and formal discovery and the service of written direct testimony by the Companies, OCA, CAUSE-PA, and PSU, written supplemental direct testimony by OCA, written rebuttal testimony by the Companies, CAAP, and PSU, and written supplemental rebuttal testimony by the Companies.

44. Approval of the Settlement avoids the necessity and costs of further administrative and potential appellate proceedings.

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45. The Joint Petitioners will further supplement the reasons that the Settlement is in the public interest in their Statements in Support, which are attached hereto as **Appendices B through H**. In their respective Statements in Support, each Joint Petitioner explains why, in its view, the Settlement is fair, just, and reasonable and reflects a reasonable compromise of the disputed issues in this proceeding.

IV. CONDITIONS OF SETTLEMENT

46. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without modification. If the Commission modifies the Settlement, then any Joint Petitioner may elect to withdraw from this Settlement and may proceed with litigation and, in such event, this Settlement shall be void and of no effect. Such election to withdraw must be made in writing, filed with the Secretary of the Commission and served upon all Joint Petitioners within five (5) business days after the entry of an order modifying the Settlement. The Joint Petitioners acknowledge and agree that this Settlement, if approved, shall have the same force and effect as if the Joint Petitioners had fully litigated this proceeding.

47. This Settlement is proposed by the Joint Petitioners to settle all issues in the instant proceeding. If the Commission does not approve the Settlement and the proceedings continue to further hearings, the Joint Petitioners reserve their respective rights to present additional testimony and to conduct full cross-examination, briefing, and argument. The Settlement is made without any admission against, or prejudice to, any position which any Joint Petitioner may adopt in the event of any subsequent litigation of this proceeding.

48. This Settlement may not be cited as precedent in any future proceeding, except to the extent required to implement this Settlement.

49. This Settlement is being presented only in the context of this proceeding in an effort to resolve the proceeding in a manner which is fair and reasonable. The Settlement is the product

of compromise. This Settlement is presented without prejudice to any position which any of the Joint Petitioners may have advanced and without prejudice to the position any of the Joint Petitioners may advance in the future on the merits of the issues in future proceedings except to the extent necessary to effectuate the terms and conditions of this Settlement. This Settlement does not preclude the Joint Petitioners from taking other positions in proceedings of other public utilities.

50. If the presiding administrative law judges adopt the Settlement without modification, the Joint Petitioners agree that they: (1) will not initiate or join in any challenge to the Settlement; (2) will not assert any positions in derogation to the Settlement; and (3) waive their right to appeal or to seek reconsideration, rehearing, reargument, or clarification of the Commission's order approving the Settlement.

V. CONCLUSION

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request that the Pennsylvania Public Utility Commission approve this Joint Petition for Settlement of All Issues.

Respectfully submitted,

______________________________	February 16, 2021
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V. CONCLUSION

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request that the Pennsylvania Public Utility Commission approve this Joint Petition for Settlement of All Issues.

Respectfully submitted,

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/s/ Erin K. Fure February 16, 2021

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Appendix A

RIDER F
PHASE IV ENERGY EFFICIENCY AND CONSERVATION CHARGE RIDER

An Energy Efficiency and Conservation ("EEC") Charge ("Phase IV EE&C-C") shall be applied to each Billing Unit during a billing month to Customers served under this Tariff, with the exception of those served under Borderline Service rates. Billing Units are defined as follows:

Residential, Commercial, and Street Lighting Customer Classes:	Per kWh
Industrial Customer Class:	Per kW PLC

Residential, Commercial, and Street Lighting Customer Class rates will be calculated to the nearest one-thousandth of a cent per kWh. Industrial Customer Class rates will be calculated to the nearest one-hundredth of a dollar per kW PLC. The Phase IV EE&C-C rates shall be calculated separately for each customer class according to the provisions of this rider.

For service rendered June 1, 2021 through May 31, 2022 the Phase IV EE&C-C rates billed by Customer Class are as follows:

<u>Residential Customer Class (Rate RS)</u>:

0.118 cents per kWh.

<u>Commercial Customer Class (Rate GS-Small, Rate GS-Medium, Rate GS – Volunteer Fire Company and Non-Profit Ambulance Service, Rescue Squad and Senior Center Service Rate, Rate MS and Outdoor Area Lighting Service)</u>:

0.136 cents per kWh.

<u>Street Lighting Customer Class (Street Lighting Service, Ornamental Street Lighting Service, and LED Street Lighting Service):</u>

(0.104) cents per kWh.

<u>Industrial Customer Class (Rate GS-Large, Rate GP, and Rate TP):</u>

$ 0.49 per kW PLC.

METROPOLITAN EDISON COMPANY

RIDERS

Rider F (continued)

The Phase IV EE&C-C rates by Customer Class shall be calculated in accordance with the formula set forth below:

$$EE\&C\text{-}C = [(EEC_C - \{E + PJM\} - E^2) / S] \times [1 / (1 - T)]$$

$$EEC_C = EEC_{Exp1} + EEC_{Exp2} + EEC_{Exp3}$$ Where:

EE&C-C = The charge in cents or dollar per Billing Unit by Customer Class as defined by this rider applied to each Billing Unit for the Rate Schedules identified in this rider.

EEC_C = The Energy Efficiency and Conservation Costs by Customer Class incurred and projected to be incurred by the Company for the EE&C-C Computational Period calculated in accordance with the formula shown above.

EEC_{Exp1} = Costs incurred and projected to be incurred associated with the Customer Class specific Phase IV EE&C Programs as approved by the Commission for the Phase IV EE&C-C Computational Period by Customer Class. The direct costs associated with specific programs are charged to the specific programs. EEC_{Exp1} costs also include an allocated portion of any indirect costs incurred associated with all the Company's Phase IV EE&C programs for the Phase IV EE&C-C Computational Period. Such indirect cost shall be allocated to each customer class based on the ratio of class-specific approved budgeted administrative program costs to total plan-specific approved budgeted administrative program costs.~~Costs incurred and projected to be incurred associated with the Customer Class specific Phase IV EE&C Programs as approved by the Commission for the Phase IV EE&C-C Computational Period by Customer Class. These costs also include an allocated portion of any indirect costs incurred associated with all the Company's Phase IV EE&C Programs for the Phase IV EE&C-C Computational Period. EECExp1 costs will be offset by a credit for any PJM capacity market revenues (net of the costs associated with auction participation and including replacing capacity charges), capacity deficiency charges and any unavoidable PJM charges. Such costs shall be allocated to each customer class based on the ratio of class-specific approved budgeted program costs to total approved budgeted program costs.~~

EEC_{Exp2} = Incremental administrative start-up costs incurred by the Company through May 31, 2021 in connection with the development of the Company's Phase IV EE&C Programs in response to the Commission's order and guidance at Docket No. M-2020-3015228. These costs to design, create, and obtain Commission approval for the Company's Phase IV EE&C Programs include, but are not limited to, consultant costs, legal fees, and other direct and indirect costs associated with the development and implementation of the Company's Phase IV EE&C Programs in compliance with Commission directives. The direct incremental administrative start-up costs associated with specific programs are charged to the specific programs. EEC_{Exp2} costs also include an allocated portion of any indirect incremental administrative start-up costs. Such indirect costs shall be allocated to each customer class based on the ratio of class-specific approved budget budgeted administrative program costs to total plan-specific approved budgeted administrative program cost. ~~An allocated portion of incremental administrative start-up costs incurred by the Company through May 31, 2021 in connection with the development of the Company's Phase IV EE&C Programs in response to the Commission's order and guidance at Docket No. M-2020-3015228. These costs to design, create, and obtain Commission approval for the Company's Phase IV EE&C Programs include, but are not limited to, consultant costs, legal fees, and other direct and indirect costs associated with the development and implementation of the Company's Phase IV EE&C Programs in compliance with Commission directives. Such costs shall be allocated to each customer class based on the ratio of class-specific approved budgeted program costs to total approved budgeted program costs.~~

RIDERS

Rider F (continued)

EEC_{Exp3} = An allocated portion of the costs the Company incurs and projects to incur to fund the Commission's statewide evaluator contract which shall be excluded in the final determination of the Act 129 limitation on the Company's Phase IV EE&C Program costs. Such costs shall be allocated to each customer class based on the ratio of class-specific approved budgeted program costs to total approved budgeted program costs.

E = The cumulative over or under-collection of Phase IV EE&C costs by Customer Class that results from the billing of the Phase IV EE&C-C rates (an over- collection is denoted by a positive E and an under-collection by a negative E).

PJM = A credit for any PJM Forward Capacity Market (FCM) revenues (net of costs associated with auction participation and including replacement capacity charges, capacity deficiency charges and any unavoidable PJM charges). The credit will be assigned to the specific customer class associated with the kW values of the EE&C programs and measures that cleared in the PJM FCM for each delivery period.

E^2 = Phase III EE&C final reconciliation over or under-collection of EEC costs by Customer Class that results from the billing of the Phase III EE&C-C rates through March 31, 2021 (an over- collection is denoted by a positive E and an under-collection by a negative E), and any expenses to finalize any measures installed and commercially operable on or before May 31, 2021; expenses to finalize any contracts; other Phase III administrative obligations; and any remaining Phase III EE&C revenues after March 31, 2021.

S = The Company's projected Billing Units (kWh sales delivered to all Customers in the specific customer class or kW PLC demand for the Industrial Customer Class).

T = The Pennsylvania gross receipts tax rate in effect during the billing month expressed in decimal form as reflected in the Company's base rates.

All capitalized terms not otherwise defined in this rider shall have the definitions specified in the Definitions of Terms section of this Tariff. For the purpose of this rider, the following additional definitions shall apply:

Rider F (continued)

1. Phase IV EE&C-C Computational Period – The 12-month period from June 1 through May 31.

2. Phase IV EE&C-C Initial Reconciliation Period – June 1, 2021 through March 31, 2022 for the initial period of the rider.

3. Phase IV EE&C-C Reconciliation Period – The 12-month period ending March 31 each year thereafter, except for the Initial Reconciliation Period, for the duration of this rider.

4. Peak Load Contribution ("PLC") – A Customer's contribution to the Company's transmission zone normalized summer peak load, as estimated by the Company in accordance with PJM rules and requirements.

5. Phase III EE&C – The energy efficiency plan that terminates on May 31, 2021. Revenues and EE&C Costs will continue to accrue past the termination date. A final reconciliation of the remaining balance will be included in the June 1, 2022 Phase IV EE&C-C rate calculation as a separate line item.

The Company will submit to the Commission by May 1 of each year starting May 1, 2022: (1) a reconciliation between actual Phase IV EE&C-C revenues and actual Phase IV EE&C-C costs for the Phase IV EE&C-C Reconciliation Period, except for the Phase IV EE&C-C Initial Reconciliation Period, as adjusted for removal of gross receipts tax; (2) any adjustment to the forecasted Phase IV EE&C-C revenues anticipated to be billed during April through May of that year, as adjusted for removal of gross receipts tax; (3) the Phase IV EE&C program cost estimate for the forthcoming Phase IV EE&C-C Computational Period by Customer Class; and (4) Phase III EE&C final reconciliation over or under-collection of EEC costs by Customer Class that results from the billing of the Phase III EE&C-C rates and remaining Phase III EEC costs. There shall also be a final reconciliation of amounts to be collected or refunded after May 31, 2026.

Upon determination that the Phase IV EE&C-C rates, if left unchanged, would result in material over or under-collection of all recoverable costs incurred or expected to be incurred by customer class, the Company may request that the Commission approve one or more interim revisions to the Phase IV EE&C-C rates to become effective thirty (30) days from the date of filing, unless otherwise ordered by the Commission.

The Company shall file an annual report of collections under this rider by April 30th of each year starting April 30, 2022 until the conclusion of this rider.

At the conclusion of the duration of this rider, the Company is authorized to recover or refund any remaining amounts not reconciled at that time under such mechanism as approved by the Commission.

Application of the Phase IV EE&C-C rates shall be subject to annual review and audit by the Commission.

RIDER F
PHASE IV ENERGY EFFICIENCY AND CONSERVATION CHARGE RIDER

An Energy Efficiency and Conservation ("EEC") Charge ("Phase IV EE&C-C") shall be applied to each Billing Unit during a billing month to Customers served under this Tariff, with the exception of those served under Borderline Service rates. Billing Units are defined as follows:

Residential, Commercial, and Street Lighting Customer Classes:	Per kWh
Industrial Customer Class:	Per kW PLC

Residential, Commercial, and Street Lighting Customer Class rates will be calculated to the nearest one-thousandth of a cent per kWh. Industrial Customer Class rates will be calculated to the nearest one-hundredth of a dollar per kW PLC. The Phase IV EE&C-C rates shall be calculated separately for each customer class according to the provisions of this rider.

For service rendered June 1, 2021 through May 31, 2022 the Phase IV EE&C-C rates billed by Customer Class are as follows:

<u>Residential Customer Class (Rate RS)</u>:

0.111 cents per kWh.

<u>Commercial Customer Class (Rate GS-Small, Rate GS-Medium, Rate GS – Volunteer Fire Company and Non-Profit Ambulance Service, Rescue Squad and Senior Center Service Rate, Rate H and Outdoor Area Lighting Service)</u>:

0.149 cents per kWh.

<u>Street Lighting Customer Class (High Pressure Sodium Vapor Street Lighting Service, Municipal Street Lighting Service, and LED Street Lighting Service):</u>

(0.145) cents per kWh.

<u>Industrial Customer Class (Rate GS-Large, Rate GP, and Rate LP):</u>

$ 0.38 per kW PLC.

RIDERS

Rider F (continued)

The Phase IV EE&C-C rates by Customer Class shall be calculated in accordance with the formula set forth below:

$$EE\&C\text{-}C = [(EEC_C - \{E + PJM\}\ \cancel{E} - E^2) / S] \times [1 / (1 - T)]$$

$$EEC_C = EEC_{Exp1} + EEC_{Exp2} + EEC_{Exp3}$$

Where:

EE&C-C = The charge in cents or dollar per Billing Unit by Customer Class as defined by this rider applied to each Billing Unit for the Rate Schedules identified in this rider.

EEC_C = The Energy Efficiency and Conservation Costs by Customer Class incurred and projected to be incurred by the Company for the EE&C-C Computational Period calculated in accordance with the formula shown above.

EEC_{Exp1} = Costs incurred and projected to be incurred associated with the Customer Class specific Phase IV EE&C Programs as approved by the Commission for the Phase IV EE&C-C Computational Period by Customer Class. The direct costs associated with specific programs are charged to the specific programs. EEC_{Exp1} costs also include an allocated portion of any indirect costs incurred associated with all the Company's Phase IV EE&C programs for the Phase IV EE&C-C Computational Period. Such indirect cost shall be allocated to each customer class based on the ratio of class-specific approved budgeted administrative program costs to total plan-specific approved budgeted administrative program costs.~~Costs incurred and projected to be incurred associated with the Customer Class specific Phase IV EE&C Programs as approved by the Commission for the Phase IV EE&C-C Computational Period by Customer Class. These costs also include an allocated portion of any indirect costs incurred associated with all the Company's Phase IV EE&C Programs for the Phase IV EE&C-C Computational Period. EEC~~~~$_{Exp1}$~~ ~~costs will be offset by a credit for any PJM capacity market revenues (net of the costs associated with auction participation and including replacing capacity charges), capacity deficiency charges and any unavoidable PJM charges. Such costs shall be allocated to each customer class based on the ratio of class-specific approved budgeted program costs to total approved budgeted program costs.~~

EEC_{Exp2} = Incremental administrative start-up costs incurred by the Company through May 31, 2021 in connection with the development of the Company's Phase IV EE&C Programs in response to the Commission's order and guidance at Docket No. M-2020-3015228. These costs to design, create, and obtain Commission approval for the Company's

RIDERS

Phase IV EE&C Programs include, but are not limited to, consultant costs, legal fees, and other direct and indirect costs associated with the development and implementation of the Company's Phase IV EE&C Programs in compliance with Commission directives. The direct incremental administrative start-up costs associated with specific programs are charged to the specific programs. EEC_{Exp2} costs also include an allocated portion of any indirect incremental administrative start-up costs. Such indirect costs shall be allocated to each customer class based on the ratio of class-specific approved budget budgeted administrative program costs to total plan-specific approved budgeted administrative program cost.~~An allocated portion of incremental administrative start-up costs incurred by the Company through May 31, 2021 in connection with the development of the Company's Phase IV EE&C Programs in response to the Commission's order and guidance at Docket No. M-2020-3015228. These costs to design, create, and obtain Commission approval for the Company's Phase IV EE&C Programs include, but are not limited to, consultant costs, legal fees, and other direct and indirect costs associated with the development and implementation of the Company's Phase IV EE&C Programs in compliance with Commission directives. Such costs shall be allocated to each customer class based on the ratio of class-specific approved budgeted program costs to total approved budgeted program costs.~~

Rider F (continued)

EEC_{Exp3} = An allocated portion of the costs the Company incurs and projects to incur to fund the Commission's statewide evaluator contract which shall be excluded in the final determination of the Act 129 limitation on the Company's Phase IV EE&C Programs costs. Such costs shall be allocated to each customer class based on the ratio of class-specific approved budgeted program costs to total approved budgeted program costs.

E = The cumulative over or under-collection of Phase IV EE&C costs by Customer Class that results from the billing of the Phase IV EE&C-C rates (an over- collection is denoted by a positive E and an under-collection by a negative E).

PJM = A credit for any PJM Forward Capacity Market (FCM) revenues (net of costs associated with auction participation and including replacement capacity charges, capacity deficiency charges and any unavoidable PJM charges. The credit will be assigned to the specific customer class associated with the kW values of the EE&C programs and measures that cleared in the PJM FCM for each delivery period.

E^2 = Phase III EE&C final reconciliation over or under-collection of EEC costs by Customer Class that results from the billing of the Phase III EE&C-C rates through March 31, 2021 (an over- collection is denoted by a positive E and an under-collection by a negative E), and any expenses to finalize any measures installed and commercially operable on or before May 31, 2021; expenses to finalize any contracts; other Phase III administrative obligations; and any remaining Phase III EE&C revenues after March 31, 2021.

S = The Company's projected Billing Units (kWh sales delivered to all Customers in the specific customer class or kW PLC demand for the Industrial Customer Class).

T = The Pennsylvania gross receipts tax rate in effect during the billing month expressed in decimal form as reflected in the Company's base rates.

All capitalized terms not otherwise defined in this rider shall have the definitions specified in the Definitions of Terms section of this Tariff. For the purpose of this rider, the following additional definitions shall apply:

RIDERS

Rider F (continued)

1. Phase IV EE&C-C Computational Period – The 12-month period from June 1 through May 31.

2. Phase IV EE&C-C Initial Reconciliation Period – June 1, 2021 through March 31, 2022 for the initial period of the rider.

3. Phase IV EE&C-C Reconciliation Period – The 12-month period ending March 31 each year thereafter, except for the Initial Reconciliation Period, for the duration of this rider.

4. Peak Load Contribution ("PLC") – A Customer's contribution to the Company's transmission zone normalized summer peak load, as estimated by the Company in accordance with PJM rules and requirements.

5. Phase III EE&C – The energy efficiency plan that terminates on May 31, 2021. Revenues and EE&C Costs will continue to accrue past the termination date. A final reconciliation of the remaining balance will be included in the June 1, 2022 Phase IV EE&C-C rate calculation as a separate line item.

The Company will submit to the Commission by May 1 of each year starting May 1, 2022: (1) a reconciliation between actual Phase IV EE&C-C revenues and actual Phase IV EE&C-C costs for the Phase IV EE&C-C Reconciliation Period, except for the Phase IV EE&C-C Initial Reconciliation Period, as adjusted for removal of gross receipts tax; (2) any adjustment to the forecasted Phase IV EE&C-C revenues anticipated to be billed during April through May of that year, as adjusted for removal of gross receipts tax; (3) the Phase IV EE&C program cost estimate for the forthcoming Phase IV EE&C-C Computational Period by Customer Class; and (4) Phase III EE&C final reconciliation over or under-collection of EEC costs by Customer Class that results from the billing of the Phase III EE&C-C rates and remaining Phase III EEC costs. There shall also be a final reconciliation of amounts to be collected or refunded after May 31, 2026.

Upon determination that the Phase IV EE&C-C rates, if left unchanged, would result in material over or under-collection of all recoverable costs incurred or expected to be incurred by customer class, the Company may request that the Commission approve one or more interim revisions to the Phase IV EE&C-C rates to become effective thirty (30) days from the date of filing, unless otherwise ordered by the Commission.

The Company shall file an annual report of collections under this rider by April 30th of each year starting April 30, 2022 until the conclusion of this rider.

At the conclusion of the duration of this rider, the Company is authorized to recover or refund any remaining amounts not reconciled at that time under such mechanism as approved by the Commission.

Application of the Phase IV EE&C-C rates shall be subject to annual review and audit by the Commission.

RIDER F

PHASE IV ENERGY EFFICIENCY AND CONSERVATION CHARGE RIDER

An Energy Efficiency and Conservation ("EEC") Charge ("Phase IV EE&C-C") shall be applied to each Billing Unit during a billing month to Customers served under this Tariff. Billing Units are defined as follows:

Residential, Commercial, and Street Lighting Customer Classes:	Per kWh
Industrial Customer Class:	Per kW PLC

Residential, Commercial, and Street Lighting Customer Class rates will be calculated to the nearest one-thousandth of a cent per kWh. Industrial Customer Class rates will be calculated to the nearest one-hundredth of a dollar per kW PLC. The Phase IV EE&C-C rates shall be calculated separately for each customer class according to the provisions of this rider.

For service rendered June 1, 2021 through May 31, 2022 the Phase IV EE&C-C rates billed by Customer Class are as follows:

<u>Residential Customer Class (Rate Schedule RS)</u>:

0.142 cents per kWh.

<u>Commercial Customer Class (Rate GS; GS Special Rule GSDS, Rate GM; Rate PLS; GS Special Provision for Volunteer Fire Companies, Non-Profit Senior Citizen Centers, Non-Profit Rescue Squads and Non-Profit Ambulance Services; and Rate PNP)</u>:

0.171 cents per kWh.

<u>Street Lighting Customer Class (Rate SV; Rate SVD; and Rate LED):</u>

(0.694) cents per kWh.

<u>Industrial Customer Class (Rate GS-Large, Rate GP, and Rate GT):</u>

$ 0.31 per kW PLC.

RIDERS

Rider F (continued)

The Phase IV EE&C-C rates by Customer Class shall be calculated in accordance with the formula set forth below:

$$EE\&C\text{-}C = [(EEC_C - \{E + PJM\}\ \cancel{E} - E^2) / S]\ X\ [\ 1 / (1 - T)]$$

$$EEC_C = EEC_{Exp1} + EEC_{Exp2} + EEC_{Exp3}$$

Where:

EE&C-C = The charge in cents or dollar per Billing Unit by Customer Class as defined by this rider applied to each Billing Unit for the Rate Schedules identified in this rider.

EEC_C = The Energy Efficiency and Conservation Costs by Customer Class incurred and projected to be incurred by the Company for the Phase IV EE&C-C Computational Period calculated in accordance with the formula shown above.

EEC_{Exp1} = Costs incurred and projected to be incurred associated with the Customer Class specific Phase IV EE&C Programs as approved by the Commission for the Phase IV EE&C-C Computational Period by Customer Class. The direct costs associated with specific programs are charged to the specific programs. EEC_{Exp1} costs also include an allocated portion of any indirect costs incurred associated with all the Company's Phase IV EE&C programs for the Phase IV EE&C-C Computational Period. Such indirect cost shall be allocated to each customer class based on the ratio of class-specific approved budgeted administrative program costs to total plan-specific approved budgeted administrative program costs.~~Costs incurred and projected to be incurred associated with the Customer Class specific Phase IV EE&C Programs as approved by the Commission for the Phase IV EE&C-C Computational Period by Customer Class. These costs also include an allocated portion of any indirect costs incurred associated with all the Company's Phase IV EE&C Programs for the Phase IV EE&C-C Computational Period. EEC~~~~$_{Exp1}$~~ ~~costs will be offset by a credit for any PJM capacity market revenues (net of the costs associated with auction participation and including replacing capacity charges), capacity deficiency charges and any unavoidable PJM charges. Such costs shall be allocated to each customer class based on the ratio of class-specific approved budgeted program costs to total approved budgeted program costs.~~

EEC_{Exp2} = Incremental administrative start-up costs incurred by the Company through May 31, 2021 in connection with the development of the Company's Phase IV EE&C Programs in response to the Commission's order and guidance at Docket No. M-2020-3015228. These costs to design, create, and obtain Commission approval for the Company's Phase

RIDERS

IV EE&C Programs include, but are not limited to, consultant costs, legal fees, and other direct and indirect costs associated with the development and implementation of the Company's Phase IV EE&C Programs in compliance with Commission directives. The direct incremental administrative start-up costs associated with specific programs are charged to the specific programs. EEC_{Exp2} costs also include an allocated portion of any indirect incremental administrative start-up costs. Such indirect costs shall be allocated to each customer class based on the ratio of class-specific approved budget budgeted administrative program costs to total plan-specific approved budgeted administrative program cost. ~~An allocated portion of incremental administrative start-up costs incurred by the Company through May 31, 2021 in connection with the development of the Company's Phase IV EE&C Programs in response to the Commission's order and guidance at Docket No. M-2020-3015228. These costs to design, create, and obtain Commission approval for the Company's Phase IV EE&C Programs include, but are not limited to, consultant costs, legal fees, and other direct and indirect costs associated with the development and implementation of the Company's Phase IV EE&C Programs in compliance with Commission directives. Such costs shall be allocated to each customer class based on the ratio of class-specific approved budgeted program costs to total approved budgeted program costs.~~

Rider F (continued)

EEC_{Exp3} = An allocated portion of the costs the Company incurs and projects to incur to fund the Commission's statewide evaluator contract which shall be excluded in the final determination of the Act 129 limitation on the Company's Phase IV EE&C Programs costs. Such costs shall be allocated to each customer class based on the ratio of class-specific approved budgeted program costs to total approved budgeted program costs.

E = The cumulative over or under-collection of Phase IV EE&C costs by Customer Class that results from the billing of the Phase IV EE&C-C rates (an over-collection is denoted by a positive E and an under-collection by a negative E).

PJM = A credit for any PJM Forward Capacity Market (FCM) revenues (net of costs associated with auction participation and including replacement capacity charges, capacity deficiency charges and any unavoidable PJM charges. The credit will be assigned to the specific customer class associated with the kW values of the EE&C programs and measures that cleared in the PJM FCM for each delivery period.

E^2 = Phase III EE&C final reconciliation over or under-collection of EEC costs by Customer Class that results from the billing of the Phase III EE&C-C rates through March 31, 2021 (an over- collection is denoted by a positive E and an under-collection by a negative E), and any expenses to finalize any measures installed and commercially operable on or before May 31, 2021; expenses to finalize any contracts; other Phase III administrative obligations; and any remaining Phase III EE&C revenues after March 31, 2021.

S = The Company's projected Billing Units (kWh sales delivered to all Customers in the specific customer class or kW PLC demand for the Industrial Customer Class).

T = The Pennsylvania gross receipts tax rate in effect during the billing month expressed in decimal form as reflected in the Company's base rates.

All capitalized terms not otherwise defined in this rider shall have the definitions specified in the Definitions of Terms section of this Tariff. For the purpose of this rider, the following additional definitions shall apply:

RIDERS

Rider F (continued)

1. Phase IV EE&C-C Computational Period – The 12-month period from June 1 through May 31.

2. Phase IV EE&C-C Initial Reconciliation Period – June 1, 2021 through March 31, 2022 for the initial period of the rider.

3. Phase IV EE&C-C Reconciliation Period – The 12-month period ending March 31 each year thereafter, except for the Initial Reconciliation Period, for the duration of this rider.

4. Peak Load Contribution ("PLC") – A Customer's contribution to the Company's transmission zone normalized summer peak load, as estimated by the Company in accordance with PJM rules and requirements.

5. Phase III EE&C – The energy efficiency plan that terminates on May 31, 2021. Revenues and EE&C Costs will continue to accrue past the termination date. A final reconciliation of the remaining balance will be included in the June 1, 2022 Phase IV EE&C-C rate calculation as a separate line item.

The Company will submit to the Commission by May 1 of each year starting May 1, 2022: (1) a reconciliation between actual Phase IV EE&C-C revenues and actual Phase IV EE&C-C costs for the Phase IV EE&C-C Reconciliation Period, except for the Phase III EE&C-C Initial Reconciliation Period, as adjusted for removal of gross receipts tax; (2) any adjustment to the forecasted Phase IV EE&C-C revenues anticipated to be billed during April through May of that year, as adjusted for removal of gross receipts tax; (3) the Phase IV EE&C program cost estimate for the forthcoming Phase IV EE&C-C Computational Period by Customer Class; and (4) Phase III EE&C final reconciliation over or under-collection of EEC costs by Customer Class that results from the billing of the Phase III EE&C-C rates and remaining Phase III EEC costs incurred after March 31, 2021. There shall also be a final reconciliation of amounts to be collected or refunded after May 31, 2026.

Upon determination that the Phase IV EE&C-C rates, if left unchanged, would result in material over or under-collection of all recoverable costs incurred or expected to be incurred by customer class, the Company may request that the Commission approve one or more interim revisions to the Phase IV EE&C-C rates to become effective thirty (30) days from the date of filing, unless otherwise ordered by the Commission.

The Company shall file an annual report of collections under this rider by April 30th of each year starting April 30, 2022 until the conclusion of this rider.

At the conclusion of the duration of this rider, the Company is authorized to recover or refund any remaining amounts not reconciled at that time under such mechanism as approved by the Commission.

Application of the Phase IV EE&C-C rates shall be subject to annual review and audit by the Commission.

RIDER F
PHASE IV ENERGY EFFICIENCY AND CONSERVATION CHARGE RIDER

An Energy Efficiency and Conservation (“EEC”) Charge (“Phase IV EE&C-C”) shall be applied to each Billing Unit during a billing month to Customers served under this Tariff. Billing Units are defined as follows:

Residential, Commercial, and Street Lighting Customer Classes:	Per kWh
Industrial Customer Class:	Per kW PLC

Residential, Commercial, and Street Lighting Customer Class rates will be calculated to the nearest one-thousandth of a cent per kWh. Industrial Customer Class rates will be calculated to the nearest one-hundredth of a dollar per kW PLC. The Phase IV EE&C-C rates shall be calculated separately for each customer class according to the provisions of this rider.

For service rendered June 1, 2021 through May 31, 2022 the Phase IV EE&C-C rates billed by Customer Class are as follows:

<u>Residential Customer Class (Rate 10)</u>:

0.139 cents per kWh.

<u>Commercial Customer Class (Rate GS 20, Rate GS 20 - Volunteer Fire Company, and Non-Profit Ambulance Service, Rescue Squad and Senior Center Service Rate and Rate GS 30)</u>:

0.117 cents per kWh.

<u>Street Lighting Customer Class (Rate Schedules 51 through 58, 71, 72):</u>

(0.864) cents per kWh.

<u>Industrial Customer Class (Rate GS 35, 40, 44, 46 and Tariff No. 38):</u>

$ 0.27 per kW PLC.

RIDERS

Rider F (continued)

The Phase IV EE&C-C rates by Customer Class shall be calculated in accordance with the formula set forth below:

$$EE\&C\text{-}C = [(EEC_C - \{E + PJM\}\ \cancel{E} - E^2) / S] \times [1 / (1 - T)]$$

$$EEC_C = EEC_{Exp1} + EEC_{Exp2} + EEC_{Exp3}$$

Where:

EE&C-C = The charge in cents or dollar per Billing Unit by Customer Class as defined by this rider applied to each Billing Unit for the Rate Schedules and Tariffs identified in this rider.

EEC_C = The Energy Efficiency and Conservation Costs by Customer Class incurred and projected to be incurred by the Company for the Phase IV EE&C-C Computational Period calculated in accordance with the formula shown above.

EEC_{Exp1} = Costs incurred and projected to be incurred associated with the Customer Class specific Phase IV EE&C Programs as approved by the Commission for the Phase IV EE&C-C Computational Period by Customer Class. The direct costs associated with specific programs are charged to the specific programs. EEC_{Exp1} costs also include an allocated portion of any indirect costs incurred associated with all the Company's Phase IV EE&C programs for the Phase IV EE&C-C Computational Period. Such indirect cost shall be allocated to each customer class based on the ratio of class-specific approved budgeted administrative program costs to total plan-specific approved budgeted administrative program costs.~~Costs incurred and projected to be incurred associated with the Customer Class specific Phase IV EE&C Programs as approved by the Commission for the Phase IV EE&C-C Computational Period by Customer Class. These costs also include an allocated portion of any indirect costs incurred associated with all the Company's Phase IV EE&C Programs for the Phase IV EE&C-C Computational Period. EEC~~~~$_{Exp1}$~~~~ costs will be offset by a credit for any PJM capacity market revenues (net of the costs associated with auction participation and including replacing capacity charges), capacity deficiency charges and any unavoidable PJM charges. Such costs shall be allocated to each customer class based on the ratio of class-specific approved budgeted program costs to total approved budgeted program costs.~~

EEC_{Exp2} = Incremental administrative start-up costs incurred by the Company through May 31, 2021 in connection with the development of the Company's Phase IV EE&C Programs in response to the Commission's order and guidance at Docket No. M-2020-3015228. These costs to design, create, and obtain Commission approval for the Company's Phase

RIDERS

IV EE&C Programs include, but are not limited to, consultant costs, legal fees, and other direct and indirect costs associated with the development and implementation of the Company's Phase IV EE&C Programs in compliance with Commission directives. The direct incremental administrative start-up costs associated with specific programs are charged to the specific programs. EEC_{Exp2} costs also include an allocated portion of any indirect incremental administrative start-up costs. Such indirect costs shall be allocated to each customer class based on the ratio of class-specific approved budget budgeted administrative program costs to total plan-specific approved budgeted administrative program cost.~~An allocated portion of incremental administrative start-up costs incurred by the Company through May 31, 2021 in connection with the development of the Company's Phase IV EE&C Programs in response to the Commission's order and guidance at Docket No. M-2020-3015228. These costs to design, create, and obtain Commission approval for the Company's Phase IV EE&C Programs include, but are not limited to, consultant costs, legal fees, and other direct and indirect costs associated with the development and implementation of the Company's Phase IV EE&C Programs in compliance with Commission directives. Such costs shall be allocated to each customer class based on the ratio of class-specific approved budgeted program costs to total approved budgeted program costs.~~

RIDERS

Rider F (continued)

EEC_{Exp3} = An allocated portion of the costs the Company incurs and projects to incur to fund the Commission's statewide evaluator contract which shall be excluded in the final determination of the Act 129 limitation on the Company's Phase IV EE&C Programs costs. Such costs shall be allocated to each customer class based on the ratio of class-specific approved budgeted program costs to total approved budgeted program costs.

E = The cumulative over or under-collection of Phase IV EE&C costs by Customer Class that results from the billing of the Phase IV EE&C-C rates (an over-collection is denoted by a positive E and an under-collection by a negative E).

PJM = A credit for any PJM Forward Capacity Market (FCM) revenues (net of costs associated with auction participation and including replacement capacity charges, capacity deficiency charges and any unavoidable PJM charges. The credit will be assigned to the specific customer class associated with the kW values of the EE&C programs and measures that cleared in the PJM FCM for each delivery period.

E^2 = Phase III EE&C final reconciliation over or under-collection of EEC costs by Customer Class that results from the billing of the Phase III EE&C-C rates through March 31, 2021 (an over- collection is denoted by a positive E and an under-collection by a negative E), and any expenses to finalize any measures installed and commercially operable on or before May 31, 2021; expenses to finalize any contracts; other Phase III administrative obligations; and any remaining Phase III EE&C revenues after March 31, 2021.

S = The Company's projected Billing Units (kWh sales delivered to all Customers in the specific customer class or kW PLC demand for the Industrial Customer Class).

T = The Pennsylvania gross receipts tax rate in effect during the billing month expressed in decimal form as reflected in the Company's base rates.

All capitalized terms not otherwise defined in this rider shall have the definitions specified in the Definitions of Terms section of this Tariff. For the purpose of this rider, the following additional definitions shall apply:

RIDERS

Rider F (continued)

1. Phase IV EE&C-C Computational Period – The 12-month period from June 1 through May 31.

2. Phase IV EE&C-C Initial Reconciliation Period – June 1, 2021 through March 31, 2022 for the initial period of the rider.

3. Phase IV EE&C-C Reconciliation Period – The 12-month period ending March 31 each year thereafter, except for the Initial Reconciliation Period, for the duration of this rider.

4. Peak Load Contribution (“PLC”) – A Customer’s contribution to the Company’s transmission zone normalized summer peak load, as estimated by the Company in accordance with PJM rules and requirements.

5. Phase III EE&C – The energy efficiency plan that terminates on May 31, 2021. Revenues and EE&C Costs will continue to accrue past the termination date. A final reconciliation of the remaining balance will be included in the June 1, 2022 Phase IV EE&C-C rate calculation as a separate line item.

The Company will submit to the Commission by May 1 of each year starting May 1, 2022: (1) a reconciliation between actual Phase IV EE&C-C revenues and actual Phase IV EE&C-C costs for the Phase IV EE&C-C Reconciliation Period, except for the Phase IV EE&C-C Initial Reconciliation Period, as adjusted for removal of gross receipts tax; (2) any adjustment to the forecasted Phase IV EE&C-C revenues anticipated to be billed during April through May of that year, as adjusted for removal of gross receipts tax; (3) the Phase IV EE&C program cost estimate for the forthcoming Phase IV EE&C-C Computational Period by Customer Class; and (4) Phase III EE&C final reconciliation over or under-collection of EEC costs by Customer Class that results from the billing of the Phase III EE&C-C rates and remaining Phase III EEC costs. There shall also be a final reconciliation of amounts to be collected or refunded after May 31, 2026.

Upon determination that the Phase IV EE&C-C rates, if left unchanged, would result in material over or under-collection of all recoverable costs incurred or expected to be incurred by customer class, the Company may request that the Commission approve one or more interim revisions to the Phase IV EE&C-C rates to become effective thirty (30) days from the date of filing, unless otherwise ordered by the Commission.

The Company shall file an annual report of collections under this rider by April 30th of each year starting April 30, 2022 until the conclusion of this rider.

At the conclusion of the duration of this rider, the Company is authorized to recover or refund any remaining amounts not reconciled at that time under such mechanism as approved by the Commission.

Application of the Phase IV EE&C-C rates shall be subject to annual review and audit by the Commission.

RIDER F

TARIFF No. 38 – PENNSYLVANIA STATE UNIVERSITY
PHASE IV ENERGY EFFICIENCY AND CONSERVATION CHARGE RIDER

An Energy Efficiency and Conservation ("EEC") Charge ("Phase IV EE&C-C") shall be applied to each Billing Unit during a billing month to Customers served under this Tariff. Billing Units are defined as follows:

Industrial Customer Class rates will be calculated to the nearest one-hundredth of a dollar per kW PLC. The Phase IV EE&C-C rates shall be calculated separately for each customer class according to the provisions of this rider.

For service rendered June 1, 2021 through May 31, 2022 the Phase IV EE&C-C rates billed by Customer Class are as follows:

Industrial Customer Class (Tariff No. 40 Rate Schedule 35, 40, 44 and 46 and Tariff No. 38):

$ 0.27 per kW PLC.

RIDERS

Rider F (Continued)

The Phase IV EE&C-C rates by Customer Class shall be calculated in accordance with the formula set forth below:

$$EE\&C\text{-}C = [(EEC_C - \{E + PJM\}\ \cancel{E} - E^2) / S] \times [1 / (1 - T)]$$

$$EEC_C = EEC_{Exp1} + EEC_{Exp2} + EEC_{Exp3}$$

Where:

EE&C-C = The charge in cents or dollar per Billing Unit by Customer Class as defined by this rider applied to each Billing Unit for the Rate Schedules identified in this rider.

EEC_C = The Energy Efficiency and Conservation Costs by Customer Class incurred and projected to be incurred by the Company for the Phase IV EE&C-C Computational Period calculated in accordance with the formula shown above.

EEC_{Exp1} = Costs incurred and projected to be incurred associated with the Customer Class specific Phase IV EE&C Programs as approved by the Commission for the Phase IV EE&C-C Computational Period by Customer Class. The direct costs associated with specific programs are charged to the specific programs. EEC_{Exp1} costs also include an allocated portion of any indirect costs incurred associated with all the Company's Phase IV EE&C programs for the Phase IV EE&C-C Computational Period. Such indirect cost shall be allocated to each customer class based on the ratio of class-specific approved budgeted administrative program costs to total plan-specific approved budgeted administrative program costs.~~Costs incurred and projected to be incurred associated with the Customer Class specific Phase IV EE&C Programs as approved by the Commission for the Phase IV EE&C-C Computational Period by Customer Class. These costs also include an allocated portion of any indirect costs incurred associated with all the Company's Phase IV EE&C Programs for the Phase IV EE&C-C Computational Period. EEC~~~~$_{Exp1}$~~ ~~costs will be offset by a credit for any PJM capacity market revenues (net of the costs associated with auction participation and including replacing capacity charges), capacity deficiency charges and any unavoidable PJM charges. Such costs shall be allocated to each customer class based on the ratio of class-specific approved budgeted program costs to total approved budgeted program costs.~~

EEC_{Exp2} = Incremental administrative start-up costs incurred by the Company through May 31, 2021 in connection with the development of the Company's Phase IV EE&C Programs in response to the Commission's order and guidance at Docket No. M-2020-3015228. These costs to design, create, and obtain Commission approval for the Company's Phase IV EE&C Programs include, but are not limited to, consultant costs, legal fees, and other direct and indirect costs associated with the development and implementation of the Company's Phase IV EE&C Programs in compliance with Commission directives. The direct incremental administrative start-up costs associated with specific programs are charged to the specific programs. EEC_{Exp2} costs also include an allocated portion of any indirect incremental administrative start-up costs. Such indirect costs shall be allocated to each customer class based on the ratio of class-specific approved budget budgeted administrative program costs to total plan-specific approved budgeted administrative program cost.

~~An allocated portion of incremental administrative start-up costs incurred by the Company through May 31, 2021 in connection with the development of the Company's Phase IV EE&C Programs in response to the Commission's order and guidance at Docket No. M-2020-3015228. These costs to design, create, and obtain Commission approval for the Company's Phase IV EE&C Programs include, but are not limited to, consultant costs, legal fees, and other direct and indirect costs associated with the development and implementation of the Company's Phase IV EE&C Programs in compliance with Commission directives. Such costs shall be allocated to each customer class based on the ratio of class-specific approved budgeted program costs to total approved budgeted program costs.~~

Rider F (Continued)

EEC_{Exp3} = An allocated portion of the costs the Company incurs and projects to incur to fund the Commission's statewide evaluator contract which shall be excluded in the final determination of the Act 129 limitation on the Company's Phase IV EE&C Programs costs. Such costs shall be allocated to each customer class based on the ratio of class-specific approved budgeted program costs to total approved budgeted program cost.

E = The cumulative over or under-collection of Phase IV EE&C costs by Customer Class that results from the billing of the Phase IV EE&C-C rates (an over- collection is denoted by a positive E and an under-collection by a negative E).

PJM = A credit for any PJM Forward Capacity Market (FCM) revenues (net of costs associated with auction participation and including replacement capacity charges, capacity deficiency charges and any unavoidable PJM charges. The credit will be assigned to the specific customer class associated with the kW values of the EE&C programs and measures that cleared in the PJM FCM for each delivery period.

E^2 = Phase III EE&C final reconciliation over or under-collection of EEC costs by Customer Class that results from the billing of the Phase III EE&C-C rates through March 31, 2021 (an over- collection is denoted by a positive E and an under-collection by a negative E), and any expenses to finalize any measures installed and commercially operable on or before May 31, 2021; expenses to finalize any contracts; other Phase III administrative obligations; and any remaining Phase III EE&C revenues after March 31, 2021.

S = The Company's projected Billing Units (kWh sales delivered to all Customers in the specific customer class or kW PLC demand for the Industrial Customer Class).

T = The Pennsylvania gross receipts tax rate in effect during the billing month expressed in decimal form as reflected in the Company's base rates.

All capitalized terms not otherwise defined in this rider shall have the definitions specified in the Definitions of Terms section of this Tariff. For the purpose of this rider, the following additional definitions shall apply:

Rider F (continued)

1. Phase IV EE&C-C Computational Period – The 12-month period from June 1 through May 31.

2. Phase IV EE&C-C Initial Reconciliation Period – June 1, 2021 through March 31, 2022 for the initial period of the rider.

3. Phase IV EE&C-C Reconciliation Period – The 12-month period ending March 31 each year thereafter, except for the Initial Reconciliation Period, for the duration of this rider.

4. Peak Load Contribution ("PLC") – A Customer's contribution to the Company's transmission zone normalized summer peak load, as estimated by the Company in accordance with PJM rules and requirements.

5. Phase III EE&C – The energy efficiency plan that terminates on May 31, 2021. Revenues and EE&C Costs will continue to accrue past the termination date. A final reconciliation of the remaining balance will be included in the June 1, 2022 Phase IV EE&C-C rate calculation as a separate line item.

The Company will submit to the Commission by May 1 of each year starting May 1, 2022: (1) a reconciliation between actual Phase IV EE&C-C revenues and actual Phase IV EE&C-C costs for the Phase IV EE&C-C Reconciliation Period, except for the Phase IV EE&C-C Initial Reconciliation Period, as adjusted for removal of gross receipts tax; (2) any adjustment to the forecasted Phase IV EE&C-C revenues anticipated to be billed during April through May of that year, as adjusted for removal of gross receipts tax; (3) the Phase IV EE&C program cost estimate for the forthcoming Phase IV EE&C-C Computational Period by Customer Class; and (4) Phase III EE&C final reconciliation over or under-collection of EEC costs by Customer Class that results from the billing of the Phase III EE&C-C rates and remaining Phase III EEC costs. There shall also be a final reconciliation of amounts to be collected or refunded after May 31, 2026.

Upon determination that the Phase IV EE&C-C rates, if left unchanged, would result in material over or under-collection of all recoverable costs incurred or expected to be incurred by customer class, the Company may request that the Commission approve one or more interim revisions to the Phase IV EE&C-C rates to become effective thirty (30) days from the date of filing, unless otherwise ordered by the Commission.

The Company shall file an annual report of collections under this rider by April 30th of each year starting April 30, 2022 until the conclusion of this rider.

At the conclusion of the duration of this rider, the Company is authorized to recover or refund any remaining amounts not reconciled at that time under such mechanism as approved by the Commission.

Application of the Phase IV EE&C-C rates shall be subject to annual review and audit by the Commission.

Appendix B

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Joint Petition for Consolidation of Proceedings and Approval of the Phase IV Energy Efficiency and Conservation Plan of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company	:	**Docket Nos. M-2020-3020820** **M-2020-3020821** **M-2020-3020822** **M-2020-3020823**

STATEMENT IN SUPPORT OF
METROPOLITAN EDISON COMPANY, PENNSYLVANIA ELECTRIC COMPANY, PENNSYLVANIA POWER COMPANY, AND WEST PENN POWER COMPANY

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

I. INTRODUCTION

Metropolitan Edison Company ("Met-Ed"), Pennsylvania Electric Company ("Penelec"), Pennsylvania Power Company ("Penn Power"), and West Penn Power Company ("West Penn") (collectively, the "Companies") hereby submit this Statement in Support of the Joint Petition for Settlement of All Issues ("Settlement") entered into by the Companies, the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"), the Community Action Association of Pennsylvania ("CAAP"), the Met-Ed Industrial Users Group ("MEIUG"), the Penelec Industrial Customer Alliance ("PICA"), the West Penn Power Industrial Intervenors ("WPPII"), and The Pennsylvania State University ("PSU"), all parties in the above-captioned proceeding (hereinafter collectively referred to as the "Joint Petitioners"). The Companies respectfully request that Administrative Law Judges Mark A. Hoyer and Emily I. DeVoe (the "ALJs") recommend approval of, and the Pennsylvania Public Utility Commission

("Commission") approve, the Settlement, including the terms and conditions thereof, without modification.

The Joint Petitioners agree that the Companies' Phase IV Energy Efficiency and Conservation ("EE&C") Plan ("Phase IV Plan" or "Plan") should be approved, subject to the terms and conditions of the Settlement.

The Settlement reflects a carefully balanced compromise of the interests of all of the Joint Petitioners. The Companies submit that the Settlement should be approved without modification because it is in the public interest, reasonable, and supported by substantial evidence. For the reasons explained below, the Companies respectfully request that the Commission approve the Companies' Phase IV Plan subject to the terms and conditions of this Settlement.

II. COMMISSION POLICY FAVORS SETTLEMENT

Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. Settlements reduce the time and expense that parties must expend litigating a case and, at the same time, conserve administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. *See* 52 Pa. Code § 69.401. The Commission has explained that parties to settled cases are afforded flexibility in reaching amicable resolutions, so long as the settlement is in the public interest. *Pa. PUC v. MXenergy Elec. Inc.*, Docket No. M-2012-2201861, 2013 Pa. PUC LEXIS 789, 310 P.U.R.4th 58 (Order entered Dec. 5, 2013). In order to approve a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. PUC v. Windstream Pa., LLC*, Docket No. M-2012-2227108, 2012 Pa. PUC LEXIS 1535 (Order Entered Sept. 27, 2012); *Pa. PUC v. C.S. Water & Sewer Assoc.*, Docket No. R-881147, 74 Pa. PUC 767 (Order entered July 22, 1991). As explained in the next section of this Statement in Support, the

Companies believe that the Settlement should be approved without modification because it is in the public interest, is reasonable, and is supported by substantial evidence.

III. <u>THE SETTLEMENT IS IN THE PUBLIC INTEREST</u>

A. GENERAL

The Settlement reflects a carefully balanced compromise of the competing interests of all of the active parties in this proceeding. The Joint Petitioners agree that the Settlement is in the public interest. The fact that the Settlement is unopposed in this proceeding, in and of itself, provides strong evidence that the Settlement is reasonable and in the public interest, particularly given the diverse interests of these parties and the active roles they have taken in this proceeding.

Moreover, the Settlement was achieved only after a comprehensive investigation of the Companies' Phase IV Plan. In addition to informal discovery, the parties propounded many formal discovery requests, a substantial number of which included several subparts. The active parties submitted multiple rounds of testimony, including direct testimony by the Companies, OCA, CAUSE-PA, and PSU, supplemental direct testimony by OCA, and rebuttal testimony by the Companies, CAAP, and PSU. Further, the parties participated in several settlement discussions and formal negotiations that ultimately led to the Settlement.

Finally, the parties in this proceeding, their counsel, and their expert consultants have considerable experience in EE&C Plan proceedings. Their knowledge, experience, and ability to evaluate the strengths and weaknesses of their litigation positions provided a strong base upon which to build a consensus in this proceeding.

For these reasons and the more specific reasons set forth below, the Settlement is reasonable and in the public interest. Therefore, the Companies' Phase IV Plan should be approved subject to the terms and conditions of the Settlement.

B. RESIDENTIAL PROGRAMS, INCLUDING THE LOW-INCOME PROGRAM

The Companies' Phase IV EE&C Plan contains three programs specific to the Residential sector: (1) Energy Efficient Products; (2) Energy Efficient Homes; and (3) Low-Income Energy Efficiency. (Phase IV Plan Petition, p. 13.) No party disputed that the Companies' Phase IV Plan would achieve the overall consumption and peak demand reduction targets. (Met-Ed/Penelec/Penn Power/West Penn St. No. 2-R, p. 2.) Indeed, the OCA affirmatively stated that the Companies' proposed Phase IV Plan is designed to meet the targets. (OCA St. No. 1, pp. 18-19.) Nevertheless, some parties proposed modifications or requested clarifications regarding the proposed residential programs.

In his direct testimony, CAUSE-PA witness Grevatt questioned whether the Companies' Phase IV Plan met the "level of comprehensiveness provided for in the Commission's directives" as applied to the Companies' proposed Low-Income ("LI") Energy Efficiency Program. (CAUSE-PA St. No. 1, pp. 4, 6, 21, 30-32.) As a result, he recommended that the Commission direct the Companies "to target replacement of electric resistance heating and water heating with heat pumps and heat pump water heaters in qualifying households, such that LI-appliance savings, including these measures, is equivalent to 10% of the Companies' low-income savings." (CAUSE-PA St. No. 1, pp. 7, 33.) Further, Mr. Grevatt recommended that the Commission prohibit the Companies from counting savings from School Education – LI toward the low-income savings target and replace School Education – LI's planned participation levels with Weatherization (WARM PLUS) and WARM Extra Measures. (CAUSE-PA St. No. 1, pp. 6, 33.) In fact, Mr. Grevatt recommended that the Companies increase their planned investments in the Weatherization (WARM PLUS) subprogram and the WARM Extra Measures subprogram "by a large margin, equivalent to a doubling of the sub-component budgets" proposed by the Companies. (CAUSE-PA St. No. 1, p. 23.)

Mr. Grevatt also alleged that the Companies failed to maximize savings for low-income customers by focusing on lower efficiency clothes washers and refrigerators. (CAUSE-PA St. No. 1, pp. 26-27.) Therefore, he recommended that the Companies prioritize the highest levels of equipment efficiency for low-income customers when multiple efficient levels are available, such as for clothes washers and refrigerators. (CAUSE-PA St. No. 1, pp. 6, 33.) Moreover, Mr. Grevatt disputed the inclusion of certain measures in the Low-Income Energy Efficiency Program, such as Pool Pump Variable Speed and EV Charging Cord – Level 2 – RES, which he did not believe low-income customers would implement. (CAUSE-PA St. No. 1, pp. 5, 7, 27-29, 33.) Lastly, Mr. Grevatt argued that the Companies needed to place a greater focus on affordable multifamily housing and recommended that the Companies be directed "to increase savings from multifamily low-income housing, including both master-metered and split-metered properties." (CAUSE-PA St. No. 1, pp. 7, 29, 33.[1])

In the OCA's direct testimony, OCA witness Crandall contended that the Plan relied too much on behavioral programs, alleging that the Phase IV Implementation Order directed the electric distribution companies ("EDCs") to "develop plans to achieve the most lifetime energy savings per expenditure." (OCA St. No. 1, pp. 3, 6, 8-9.) Consequently, Mr. Crandall recommended that the Companies scale back their behavior modification programs and allocate those funds to the Weatherization subprogram within the Low-Income Energy Efficiency Program or the Energy Efficient Products Program. (OCA St. No. 1, pp. 8-9, 19-20.)

[1] In rebuttal testimony, CAAP witness Moore agreed with the positions taken by CAUSE-PA witness Grevatt in his direct testimony. (*See* CAAP St. No. 1-R, pp. 2-4.)

In rebuttal, the Companies' witness Miller explained that the Phase IV Plan met the Commission's comprehensive program requirement, as it targeted both "near-term and longer-term energy saving opportunities for customers, includes direct or targeted programs that engage customers, and serves as a portal for other program offerings because they provide customers with energy efficiency education as well as information regarding other program services and opportunities." (Met-Ed/Penelec/Penn Power/West Penn St. No. 2-R, p. 4.) Mr. Miller also pointed out that, contrary to Mr. Grevatt's assertions, comprehensive measures make up a large portion of the measures provided to low-income customers through the Appliances, Weatherization, and Multifamily subprograms, as well as the low-income New Homes subprogram. (Met-Ed/Penelec/Penn Power/West Penn St. No. 2-R, pp. 4-5.) Mr. Miller also rebutted Mr. Grevatt's measure recommendations, noting, among other things, that Mr. Grevatt failed to perform a study or evaluation of his recommendations' impact on the Phase IV Plan or the ability of the Plan to achieve the Companies' Phase IV requirements and that certain of his suggested measures were already included in the Plan. (Met-Ed/Penelec/Penn Power/West Penn St. No. 2-R, pp. 7-9.)

As for OCA witness Grevatt's criticisms of the Behavioral and School Education subprograms for low-income customers, the Companies' witness Miller testified that these key elements of the Low-Income Energy Efficiency Program "are designed to address both educational and initial cost barriers and to tap a variety of delivery channels and vendors to support broader levels of customer engagement, education, and participation." (Met-Ed/Penelec/Penn Power/West Penn St. No. 2-R, pp. 10-12.) Mr. Miller also clarified that the Companies will promote higher efficiency tiers for appliances. (Met-Ed/Penelec/Penn Power/West Penn St. No. 2-R, p. 13.) Furthermore, Mr. Miller explained that the Low-Income Energy Efficiency Program was designed to provide a broad portfolio of potential measures for low-income customers. (Met-Ed/Penelec/Penn Power/West Penn St. No. 2-R, pp. 16-17.) Therefore, simply because some measures may be less popular than others, it does not mean that the Companies should eliminate those less popular measures from the program. (Met-Ed/Penelec/Penn Power/West Penn St. No. 2-R, p. 17.) Lastly, Mr. Miller rebutted all of Mr. Grevatt's issues regarding multifamily housing, primarily noting how "[t]he Companies' Phase IV Plan design already places a greater focus on multifamily housing than the Phase III Plan, as evidenced by it including a multifamily subprogram and additional measures in each sector of the Phase IV Plan." (Met-Ed/Penelec/Penn Power/West Penn St. No. 2-R, pp. 17-20.)

Concerning OCA witness Crandall's testimony, the Companies' witness Miller first explained that the Phase IV Plan does not overly rely on behavioral measures. (Met-Ed/Penelec/Penn Power/West Penn St. No. 2-R, pp. 20-21.) Although the Companies maintain that the Behavioral subprograms are an important component of the Phase IV Plan and provide value to customers, Mr. Miller explained how the Behavioral subprograms account for less than 6% of the total energy savings and less than 4% of the total budgets for the Companies. (Met-Ed/Penelec/Penn Power/West Penn St. No. 2-R, pp. 21-22.) Therefore, Mr. Crandall's recommendation to scale back those Behavioral subprograms was "unsupported and ignore[d] the value of customer engagement and education provided under the Behavioral subprograms." (Met-Ed/Penelec/Penn Power/West Penn St. No. 2-R, pp. 23-24.)

Under the Settlement, the parties have reached a reasonable compromise of their varying positions regarding the Residential programs, including the Low-Income Energy Efficiency Program. (Settlement ¶¶ 29-36.)

Specifically, the Companies will decrease their more targeted, less comprehensive Limited Income School Education subprogram megawatt-hour ("MWh") savings by 30% and will target an equivalent increase in MWh savings from insulation, air sealing, duct sealing, heat pumps and residential heat pump water heaters delivered through the Low Income Weatherization and/or Low Income Multifamily subprograms in the aggregate, respectively. (Settlement ¶ 29.) The Companies also will target a proportional number of low-income schools through the general residential Energy Efficient Homes School Education program, based on the available program budget. (Settlement ¶ 30) Furthermore, the Companies will remove Water Coolers, Water Heaters, Variable Speed Pool Pumps, and EV Charging Cords from their Low-Income Energy Efficiency Program Appliances rebate offering and will reallocate the associated budget to prioritize higher levels of the remaining equipment efficiency through both marketing and providing enhanced tiered incentives. (Settlement ¶ 31.) The Companies also will target the installation of 75 heat pump water heaters and/or ductless mini-split heat pumps annually under its Low-Income Energy Efficiency Program, at no upfront cost to the customer, resulting in increased comprehensive savings through the entirety of Phase IV. (Settlement ¶ 32.)

In addition, the Settlement provides that the Companies will continue to coordinate their low-income energy efficiency programs with other programs in their service territories, present details and solicit input on such coordination efforts annually at the Companies' stakeholder meetings, and continue to implement their low-income programs after meeting the low-income carve-outs subject to the Commission-approved budget for Phase IV. (Settlement ¶¶ 33-34.) When health and safety issues are identified in the home that cannot be remediated through the Companies' existing programming, the Companies will provide a list of available housing rehabilitation providers in their service territories. (Settlement ¶ 35.) Such list will be created and maintained by the Companies with assistance from their universal service program administrators. (Settlement ¶ 35.)

Finally, the Settlement provides that the Companies will decrease their Residential Behavioral and Limited Income Behavioral subprogram MWh savings by 13% each and will target equivalent increases in MWh savings from the Residential Energy Efficient Products Appliances and/or Residential Multifamily subprograms in the aggregate, and the Low-Income Weatherization and/or Low-Income Multifamily subprograms in the aggregate, respectively, over the proposed Plan targets, based on having available program budgets. (Settlement ¶ 36.) These funds will be used to fund insulation, air sealing, duct sealing, heat pumps, residential heat pump water heaters, and residential appliances. (Settlement ¶ 36.)

These Settlement provisions represent a reasonable compromise of the parties' positions on the design of the Residential programs, including the Low-Income Energy Efficiency Program, and the measures offered thereunder. These terms and conditions also respond to the allegations raised by CAUSE-PA, CAAP, and OCA about the Plan's focus on comprehensive, behavioral, and/or multifamily programs. With these Settlement provisions in place, the Companies' Phase IV Residential programs, including the Low-Income Energy Efficiency Program, will target greater savings from comprehensive and long-lived measures for both residential and low-income customers and will have a heightened focus on multifamily housing. Thus, these Settlement provisions are reasonable and in the public interest and should be approved without modification.

C. COMMERCIAL AND INDUSTRIAL PROGRAMS

The Companies' Phase IV Plan contains two programs specific to Commercial and Industrial ("C&I") customers: (1) C&I Energy Solutions for Business Program – Small; and (2) C&I Energy Solutions for Business Program – Large. (Phase IV Petition, p. 14.)

In his direct testimony, PSU witness Crist raised some issues and recommendations regarding the Companies' C&I programs. (PSU St. No. 1, pp. 8-13.) Mr. Crist first raised an issue regarding its participation in West Penn's Phase III EE&C Plan, including that the switch from Sodexo to CLEAResult as the Conservation Service Provider ("CSP") created administrative lag, that PSU is waiting on rebates for several projects, and that seven projects were tabled because of reapplication constraints. (PSU St. No. 1, p. 8.) He also asserted that the Companies should develop a system to collect customer info regularly from CSPs to account for possible CSP switch, thereby reducing administrative waste. (PSU St. No. 1, p. 9.) Mr. Crist then recommended that the Companies (1) streamline applications; and (2) improve communications by having fewer points of contact. (PSU St. No. 1, pp. 9-10.) Finally, Mr. Crist recommended certain alleged improvements to the measurement and verification ("M&V") process. (PSU St. No. 1, pp. 11-13.)

In rebuttal, the Companies' witness Miller responded to all of Mr. Crist's issues and recommendations. Mr. Miller first explained that the issues raised by Mr. Crist regarding the CSP switch and the alleged delay in rebates and EE&C projects were now resolved. (Met-Ed/Penelec/Penn Power/West Penn St. No. 1, p. 29.) Moreover, in case a CSP switch does occur, the Companies have processes and systems in place to collect all necessary customer information to support implementation, tracking and reporting, and evaluation of their programs. (Met-Ed/Penelec/Penn Power/West Penn St. No. 1, p. 30.) As for the recommendation to streamline applications and have fewer points of contact, Mr. Miller testified that "[t]he Companies will review [their] application processes for opportunities to streamline them as well as establish points of contact to support PSU's efficient participation in the Companies' EE&C programs with its Phase IV CSP(s)." (Met-Ed/Penelec/Penn Power/West Penn St. No. 1, p. 30.) Lastly, Mr. Miller explained that the recommended "improvements" to the Companies' M&V process are not necessary for all projects. (Met-Ed/Penelec/Penn Power/West Penn St. No. 1, p. 31.) He further explained that he believed the issues with the M&V process raised by Mr. Crist were now resolved. (Met-Ed/Penelec/Penn Power/West Penn St. No. 1, p. 31.)

The Settlement contains several provisions that effectively address the issues and recommendations raised by PSU. For Phase III pre-approved projects that have not been completed prior to the conclusion of Phase III, the Settlement provides that applications will be processed as part of the same Phase IV Programs, without requiring re-application, consistent with the Companies' review of the application and confirmation of eligibility. (Settlement ¶ 37.) Further, to the extent that the Companies change CSPs for/during Phase IV, the Companies will provide advance notice of the change through both the program website and program allies. (Settlement ¶ 38.) The Companies also will conduct a review of the application process with its Phase IV CSPs to identify and make improvements, as warranted. (Settlement ¶ 39.) These Settlement provisions will: (1) help ensure continuity between Phase III and Phase IV and reduce administrative lag time during the project approval process; (2) provide stakeholders, like PSU, with notice of potential CSP changes, giving such stakeholders an opportunity to consult with the Companies; and (3) help ensure that the Companies' application process will continue to function efficiently and properly in Phase IV. Therefore, these Settlement provisions are reasonable and in the public interest and should be approved without modification.

D. PJM PEAK DEMAND

In his direct testimony, OCA witness Crandall contended that the Companies did not adopt a conservative bidding strategy to limit deficiency charges and to avoid nominated resources not clearing in the PJM Forward Capacity Market ("FCM") and that the nomination processes lack transparency and context. (OCA St. No. 1, pp. 16-17.) Mr. Crandall also recommended that the Commission direct the Companies "to develop a more transparent way to evaluate the amount of its Phase IV demand reduction that could be nominated into the PJM FCM and to evaluate the risk-reward relationship for their nomination strategies." (OCA St. No. 1, pp. 17, 20.) Relatedly, Mr. Crandall recommended certain steps to "provide more context and connection between the EE&C Plan peak demand reductions and the amounts the Companies expect to nominate into the PJM Capacity markets." (OCA St. No. 1, pp. 17-18.) Moreover, he recommended close monitoring and reporting on the results of the Companies' nomination and pricing strategies with the intent of modifying those strategies to optimize the probable net PJM revenues to reduce ratepayer cost for the Phase IV EE&C programs. (OCA St. No. 1, p. 18.) He also provided a list of information that he believed should be included in the monitoring and reporting. (OCA St. No. 1, p. 18.)

In rebuttal, the Companies' witness Miller addressed each of these concerns and recommendations. First, Mr. Miller made clear that the Companies' proposed bidding strategy is conservative. Indeed, "the Companies' Phase IV Plan has recognized the uncertainty with participation in the PJM capacity market, and the Companies plan to factor this uncertainty into the development of their offers at the time of each auction to limit the potential for deficiency charges and nominated resources not clearing in the PJM FCM." (Met-Ed/Penelec/Penn Power/West Penn St. No. 2-R, pp. 26-27.) Additionally, the Companies plan to offer incremental energy efficiency resources not offered in the base residual auctions ("BRA") into incremental auctions as appropriate, including to true up positions and limit deficiency charges. (Met-Ed/Penelec/Penn Power/West Penn St. No. 2-R, p. 27.) The Companies' proposed nomination process also does not lack transparency, as the Phase IV Plan (particularly Section 1.6) described in detail the Companies' plan to develop their nominations. (Met-Ed/Penelec/Penn Power/West Penn St. No. 2-R, p. 27.)

Regarding OCA witness Crandall's reporting recommendations, the Companies' witness Miller explained that "[t]he Companies will adhere to the Commission's final reporting requirements and envision using internal reporting and monitoring processes that are used in other jurisdictions for energy efficiency resource offers and are similar to those set forth by Mr. Crandall. (Met-Ed/Penelec/Penn Power/West Penn St. No. 2-R, p. 29.) Mr. Crandall's other recommendations, however, go well beyond the requirements of the Phase IV Implementation Order. (Met-Ed/Penelec/Penn Power/West Penn St. No. 2-R, pp. 27-28.) They also are unnecessary. The Companies already described in detail their plan to develop their nominations, particularly in Section 1.6 of the Phase IV Plan. (Met-Ed/Penelec/Penn Power/West Penn St. No. 2-R, pp. 27-28.)

The Settlement reflects a reasonable compromise of the parties' positions on these issues. Specifically, the Settlement provides that "[u]pon request from any signatory to the Settlement and subject to execution of a confidentiality agreement, following the filing of each annual EE&C report, the Companies will provide the aggregate amount of energy efficiency resources offered and cleared in all [PJM] forward capacity market auctions that occurred during the applicable Plan year, as well as the applicable auction clearing prices." (Settlement ¶ 40.) This provision will help provide useful information to the Joint Petitioners about the Companies' nomination process and participation results, while helping ensure that such sensitive information is protected from unwarranted public disclosure. Accordingly, this Settlement provision is reasonable and in the public interest and should be approved without modification.

E. COST RECOVERY

Through their Phase IV Plan Petition, the Companies also requested approval to establish their Phase IV EE&C-C Riders (also referred to as Rider F), which are the Companies' proposed riders to recover the costs associated with the Phase IV Plan. (Met-Ed/Penelec/Penn Power/West

Penn St. No. 3.) The *pro forma* tariff supplements for the Companies' Phase IV EE&C-C Riders were initially set forth in Met-Ed/Penelec/Penn Power/West Penn Exhibits AJW-1 through AJW-5.

OCA witness Crandall argued that the Companies' method of addressing PJM net revenues in the Phase IV EE&C-C Riders did not comply with the Phase IV Implementation Order. (OCA St. No. 1, pp. 11-12.) He also asserted that it was unclear how the Companies would allocate the PJM net revenues to the customer classes. (OCA St. No. 1, p. 15.) Mr. Crandall also raised an issue over how common costs are allocated to customer classes and recovered under the Phase IV EE&C-C Riders. (OCA St. No. 1, pp. 13-14.) Specifically, he argued that the Companies should allocate common costs to each customer class based on the ratio of class-specific approved budgeted programs costs to total approved budgeted program costs. (OCA St. No. 1, pp. 13-14.)

In rebuttal, the Companies' witness Woytko clarified that "[t]he Companies never intended to allocate the PJM net revenues among the customer classes, as Mr. Crandall state[d] in his testimony." (Met-Ed/Penelec/Penn Power/West Penn St. No. 3-R, p. 2.) "The Companies planned to follow the Phase IV Implementation Order and use those net revenues as an offset to the E-Factor in the Phase IV EE&C-C Riders." (Met-Ed/Penelec/Penn Power/West Penn St. No. 3-R, p. 2.) Furthermore, Mr. Woytko also clarified that "[t]he PJM net revenues will be assigned to the specific customer class associated with the kilowatt ("kW") values of the EE&C programs and measures that cleared in the PJM FCM for each delivery period." (Met-Ed/Penelec/Penn Power/West Penn St. No. 3-R, p. 3.) However, recognizing that the originally-written *pro forma* tariff supplements could be clearer on that point, Mr. Woytko presented revised *pro forma* tariff supplements. (Met-Ed/Penelec/Penn Power/West Penn Exhibits AJW-1R through AJW-5R.) In the revised *pro forma* tariff supplements, "the PJM net revenue [was] made its own variable in the formula (i.e., "PJM"), rather than included in EEC_{Exp1}." (Met-Ed/Penelec/Penn Power/West Penn St. No. 3-R, p. 2.) Therefore, the formula showed how "the PJM variable will directly offset the E-Factor in the EE&C-C Rider calculation, as required under the Phase IV Implementation Order." (Met-Ed/Penelec/Penn Power/West Penn St. No. 3-R, pp. 2-3.) This revision also "alleviate[d] any concerns regarding the 2% spending cap, as the Companies agree the PJM component is outside the 2% spending cap." (Met-Ed/Penelec/Penn Power/West Penn St. No. 3-R, p. 3.) Thus, Mr. Woytko believed that Mr. Crandall's concern had been addressed. (Met-Ed/Penelec/Penn Power/West Penn St. No. 3-R, p. 3.)

As for OCA witness Crandall's issue with common cost allocation, the Companies' witness Miller explained that "over 70% of the common costs in the Plan" are administrative costs and that "the program specific administrative (e.g., non-incentive) costs to implement programs are the best indicator of the Companies' level of effort and activity associated with their administrative activities for each program." (Met-Ed/Penelec/Penn Power/West Penn St. No. 2-R, p. 24.) Mr. Miller also explained that program incentives do not necessarily "involve[] more 'administrative' activity by the Companies" and that they "can vary among programs for many reasons and, if included in the allocation methodology" as suggested by Mr. Crandall, "would skew the allocations towards programs with higher incentives." (Met-Ed/Penelec/Penn Power/West Penn St. No. 2-R, p. 24.) Therefore, Mr. Miller maintained that "the common costs should continue to be allocated based on the program specific administrative (e.g., non-incentive) costs, which is consistent with the Companies' allocations in Phase III, instead of being allocated based on the total program specific costs including incentives, which would skew the allocations towards programs with larger incentive budgets." (Met-Ed/Penelec/Penn Power/West Penn St. No. 2-R, p. 25.)

Under the Settlement, the Companies will amend their Phase IV EE&C-C Riders to reflect the revised *pro forma* tariff supplements for the Phase IV EE&C-C Riders, as set forth in Appendix A to the Joint Petition. In these revised tariff supplements, the Companies have made PJM net revenues their own variable in the formula, outside of the 2% spending cap, consistent with the Companies' witness Woytko's rebuttal testimony. The revised tariff supplements also clarify the use of program specific administrative (e.g. non-incentives) costs as the basis of its common cost allocations. For the reasons set forth above, these changes help ensure that the Companies' Phase IV EE&C-C Riders are designed to properly recover the costs associated with the Phase IV Plan from the customer classes. Therefore, this Settlement provision is reasonable and in the public interest and should be approved without modification.

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IV. CONCLUSION

The Settlement is the result of a detailed examination of the Companies' Phase IV EE&C Plan, substantial discovery requests, multiple rounds of testimony, several settlement discussions, and compromise by all active parties. The Companies believe that fair and reasonable compromises have been achieved on all issues in this case, particularly given the fact that the active parties have such diverse and competing interests in this proceeding and have reached an agreement on all issues. The Companies fully support the Settlement and respectfully request that the Pennsylvania Public Utility Commission:

(i) Approve Joint Petition for Settlement of All Issue without modification; and

(ii) Approve the Companies' Phase IV Plan subject to the terms and conditions of the Joint Petition for Settlement of All Issues.

Respectfully submitted,

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Date: February 16, 2021

Appendix C

APPENDIX C

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Joint Petition for Consolidation of Proceedings and Approval of the Phase IV Energy Efficiency and Conservation Plan of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company	:	Docket Nos. M-2020-3020820 M-2020-3020821 M-2020-3020822 M-2020-3020823

STATEMENT
OF THE
OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF SETTLEMENT

The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Settlement of All Issues (Settlement), finds the terms and conditions of the Settlement to be in the public interest for the following reasons:

I. INTRODUCTION

On October 15, 2008, Act 129 of 2008 (Act 129 or the Act) was signed into law by Governor Edward G. Rendell. Act 129 made numerous amendments to Chapter 28 of the Public Utility Code and required the seven major electric distribution companies (EDCs) to file energy efficiency and conservation plans (EE&C Plans), which occurred in the summer of 2009. The Phase I Plans expired on May 31, 2013. Phase II of the EE&C Plans began on June 1, 2013 and expired on May 31, 2016. Phase III of the EE&C Plans began on June 1, 2016 and will continue until May 31, 2021. The Commission has now established the requirements and process for Phase IV of the EE&C Plans to operate from June 1, 2021 through May 31, 2026. Energy Efficiency and Conservation Program, Docket No. M-2020-3015228 (June 18, 2020) (Phase IV Implementation Order). This proceeding concerns the Phase IV Plan filing of the four FirstEnergy operating companies including Metropolitan Edison Company (Met-Ed), Pennsylvania Power Company (Penn Power), Pennsylvania Electric Company (Penelec), and West Penn Power Company (West Penn) (collectively the FirstEnergy Companies or Companies).

The Phase IV Implementation Order directed that each EDC meet a consumption reduction target and a demand response target. Phase IV Implementation Order at 8. The Phase IV Implementation Order also established that 5.8% of the consumption reduction target must be met through the low-income customer sector programs. Phase IV Implementation Order at 35-37. The Total Resource Cost (TRC) test will continue to be used to evaluate each EDC's EE&C Plan. Phase IV Implementation Order at 104, citing 66 Pa. C.S. § 2806.1(a)(3).

Act 129 caps annual spending on the Plan at 2% of the EDC's total revenues for the calendar year 2006. 66 Pa. C.S. § 2806.1(g). The Act provides for full and current cost recovery of the Plan costs through an automatic adjustment rider, but it prohibits the recovery of lost revenues by the EDC through the automatic adjustment rider. 66 Pa. C.S. § 2806.1(k). The costs incurred are to be allocated to the classes that directly benefit from the program measures implemented, unless a system wide benefit can be shown.

The FirstEnergy Companies' filings were assigned to the Office of Administrative Law Judge and further assigned to Deputy Chief Administrative Law Judge Mark A. Hoyer and Administrative Law Judge Emily I. DeVoe. On December 21, 2020, the OCA filed its Notice of Intervention and Public Statement. On December 30, 2020, Deputy Chief ALJ Hoyer issued a Prehearing Conference Order. The Prehearing Conference was held on January 5, 2021 at which time the four cases were consolidated, and a procedural schedule and discovery rule modifications were established. Pursuant to the Phase IV Implementation Order, it was anticipated that the filing would be published in the *Pennsylvania Bulletin* twenty days after the November 30, 2020 filing, or on December 19, 2020. Publication in the *Pennsylvania Bulletin*, however, was delayed fourteen days until January 2, 2021.

On January 14, 2021, the OCA submitted the Direct Testimony of Geoffrey C. Crandall (OCA Statement No. 1).[1]

Pursuant to a Joint Motion for Extension of the Procedural Schedule filed by the Coalition for Affordable Utility Service and Energy Efficiency in Pennsylvania (CAUSE-PA), Community Action Association of Pennsylvania (CAPP), OCA, and the Office of Small Business Advocate (OSBA), a further Prehearing Conference was held on January 19, 2021. The Prehearing Conference addressed changes to the litigation schedule presented by the delayed publication of the filings in the *Pennsylvania Bulletin*, and a further revised procedural schedule was established.

On January 25, 2021, the OCA submitted the Supplemental Direct Testimony of Mr. Crandall (OCA Statement No. 1-SUPP).

At the hearings held on February 5, 2021, the parties stipulated to the admission of testimony. The OCA also admitted the stipulated exhibit, OCA Hearing Exhibit No. 1 (the OCA's response to FirstEnergy Set I to OCA, No. 3).

The Joint Petitioners participated in settlement discussions which resulted in this Joint Petition for Settlement. The Settlement provides for approval of each of the FirstEnergy

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[1] Mr. Crandall is a principal and Vice President of MSB Energy Associates of Middleton, WI. Mr. Crandall specializes in residential and low-income issues and the impact of energy efficiency and utility restructuring on customers. He has over 40 years of experience in utility regulatory issues, including energy efficiency, conservation and load management resource program design and implementation, resource planning, restructuring, mergers, purchase power, gas cost recovery, planning analysis and related issues. Mr. Crandall has provided expert testimony before more than a dozen public utility regulatory bodies throughout the United States, including this Commission and before the United States Congress on several occasions.

Companies' Phase IV EE&C Plan with certain modifications and clarifications related to issues raised by OCA witness Crandall. The Settlement provides for modifications to the residential behavioral programs, greater availability of information to the parties regarding the PJM peak demand response bidding process, and clarifications to the Companies' cost recovery provisions included in the Tariff Rider F. The Settlement also emphasizes coordination of the low-income programs. In addition to the issues raised by OCA witness Crandall, the Settlement also addresses issues related to the low-income programs and multi-family housing programs. For the reasons discussed below, the OCA submits that the Settlement is in the public interest and should be adopted.

II. SETTLEMENT

A. Residential Programs **(Settlement at ¶ 36)**

The FirstEnergy Companies proposed a Residential Behavioral and Limited Income Behavioral subprogram for each of the four FirstEnergy Companies. OCA St. 1 at 6. The behavioral programs rely upon the issuance of Home Energy Reports programs. OCA St. 1 at 6. The programs are designed to generate savings by providing residential customers (both low-income and non-low-income customers) with information in quarterly Home Energy Reports on their energy use and energy saved. OCA St. 1 at 7.

The Phase IV Implementation Order specifically emphasized that the utilities should "develop plans to achieve the most lifetime savings per expenditure." Phase IV Implementation Order at 91. Pursuant to the Commission's Phase IV Implementation Order, OCA witness Crandall questioned the Companies' level of reliance for energy savings on Home Energy Reports for residential and limited income customers. OCA St. 1 at 6-9. Across the four FirstEnergy

Companies, the Companies used approximately 3.0% to 4.8% of the proposed energy efficiency budgets on these Home Energy Reports. OCA St. 1 at 7, citing FirstEnergy EE&C Plan at App. C, Table 1-1 through Table 1-5. OCA witness Crandall testified that he was concerned that the savings from the behavioral response programs are not long-lived. OCA St. 1 at 8. OCA witness Crandall recommended scaling back the behavioral modification programs by 50% and allocating those funds to the weatherization subprograms within the Low-Income Energy Efficiency Program or Energy Efficient Products Program. OCA St. 1 at 8-9; OCA St. 1-SUPP at 5.

The Settlement addresses these concerns by reducing the Companies' reliance on the programs. Settlement at ¶ 36. The Settlement provides that the Companies will reduce the Residential Behavioral and Limited-Income Behavioral subprogram MWh savings by 13%. Id. The Companies will target equivalent increases in MWh savings from the Residential Energy Efficient Products Appliances and/or Residential Multifamily subprograms in the aggregate, and the Low-Income Weatherization and/or Low-Income Multifamily subprograms in the aggregate, respectively, over the proposed plan targets, based on having available program budgets. Id. These funds will be used to fund insulation, air sealing, duct sealing, heat pumps, residential heat pump water heaters and residential appliances. Id.

These Settlement terms help to achieve the objective identified in the Commission's Phase IV Implementation Order that the EE&C Plans should maximize the lifetime savings per expenditure. The scaleback of the Home Energy Reports will help to ensure that the Companies' resources are reasonably balanced between programs that provide assistance with longer lived direct install measures to reduce consumption while still providing useful educational information to consumers as well as continuing the home energy reports. The OCA recommended a scaleback of the programs and supports the Settlement's 13% scale back of the use of the Home Energy

Reports as a component of a well balanced portfolio. The Settlement strikes an appropriate balance between consumer education and tangible energy efficiency measures, and as such, the OCA submits that it serves the public interest.

B. PJM Peak Demand (Settlement at ¶ 40)

Pursuant to the Commission's Phase IV Implementation Order, the FirstEnergy Companies propose to bid resources into the PJM Forward Capacity Market (FCM). The Phase IV Implementation Order provided that the utilities should "carefully consider their nomination levels and adopt a conservative bidding strategy to limit the likelihood of deficiency charge or nominated resources not clearing." Phase IV Implementation Order at 138. Given the potential risk of a deficiency charge that would be charged to ratepayers, OCA witness Crandall identified concerns with the level of detail provided in the Companies' EE&C Plan regarding how the Companies would determine the energy efficiency peak reduction. OCA St. 1 at 15. Other than identifying that the primary measures offered would be lighting, HVAC equipment, refrigeration, water heating and custom programs and a possible range of available resources, the Companies' Plan did not offer specific information regarding the program measures that would be nominated or the offer price. OCA St. 1 at 16; FirstEnergy EE&C Plan at App. C, Table 3. OCA witness Crandall recommended that the Companies develop a more transparent way to evaluate the amount of its Phase IV demand reduction that could be nominated into the PJM FCM and to evaluate the risk-reward relationship for the nomination strategies. OCA St. 1 at 17. In order to evaluate whether the proposed strategy was conservative, OCA witness Crandall recommended that the Companies report additional data to allow for greater transparency and to evaluate the Companies' bid strategy. OCA St. 1 at 17-18.

The Settlement provides:

> Upon request from any signatory to the settlement and subject to execution of a confidentiality agreement, following the filing of each annual report, the Companies will provide the aggregate amount of energy efficiency resources offered and cleared in all PJM Interconnect, LLC forward capacity market auctions that occurred during the applicable plan year, as well as the applicable auction clearing prices.

Settlement at ¶ 40. The OCA submits that the Settlement will provide the aggregate energy efficiency resources offered and the aggregate energy efficiency resources cleared in all PJM FCM auctions during the applicable Plan year. Settlement at ¶ 40. In the Companies' Plan, the Companies also provides an estimated range of the energy efficiency resources for each of the PJM bidding years. FirstEnergy EE&C Plan at App. C, Table 3. The OCA submits that the information provided under the Settlement combined with the information identified in the Companies' Plan will allow the parties to be able to evaluate whether the Companies' bids are consistent with the <u>Phase IV Implementation Order</u>. The OCA submits that the Settlement provision improves upon the Companies' filed Plan and should be adopted as part of this comprehensive Settlement.

C. <u>Cost Recovery</u> **(Settlement at ¶ 41, Appendix A)**

Rider F provides the derivation of the rate the Companies have proposed to recover the costs associated with the Phase IV EE&C Plan. OCA St. 1 at 9-15. The OCA specifically recommended that the Companies modify and clarify the following elements of Rider F:

- Modify $EECexp_1$, the direct costs and allocated common costs of the Phase IV EE&C Programs by customer class, to remove the PJM net revenues and clarify the basis for allocating indirect costs from.

- Clarify the basis for allocating startup costs in $EECexp_2$, the allocated portion by customer class of the startup costs through May 31, 2021 to design, create, and obtain Commission approval for Phase IV EE&C Programs.

- Clarify the basis for allocating SWE costs in $EECexp_3$, the allocated portion by customer class of the SWE costs.

- Add a term to the reconciliation portion of the rider revenue requirements to reflect PJM revenues (R_{PJM}) and PJM costs (C_{PJM}) and revise the basis for allocating PJM net revenues.

OCA St. 1 at 9; see also, OCA St. 1-SUPP at 2-5. As OCA witness Crandall identifies in his Direct and Supplemental Testimonies, the OCA and the Companies engaged in multiple discovery conferences to clarify these elements identified in the Companies' Rider F. OCA St. 1 at 15; OCA St. 1-SUPP at 2-4. The Companies subsequently revised and explained how the costs of the Plan are recovered in its Rebuttal and Supplemental Rebuttal Testimonies. Met-Ed/Penelec/Penn Power/West Penn Power St. 3-R at Exh. AJW-1- AJW-5; Met-Ed/Penelec/Penn Power/West Penn Power St. 3-R-Supp at 2. Further subsequent clarifications have resulted in the revised language included in Rider F.

The Settlement provides that the Companies will amend Rider F in each of their respective tariffs as attached in Appendix A and achieves the clarifications requested by OCA witness Crandall's Direct and Supplemental Testimonies. The purpose of the OCA's Direct and Supplemental Testimonies related to Rider F was to ensure that the Tariff accurately reflected the appropriate allocation methodology and that the Tariff included the necessary information to accurately explain the Companies' process for calculating its cost recovery, including the incorporation of the Companies' process for allocating the PJM net revenues as a result of the new PJM peak demand component to the EE&C Plan. The modifications to the Rider F specifically define how the credit for the PJM Forward Capacity Market is calculated; how the EEC_{Exp1} the direct costs are charged to the specific programs; and how the start-up administrative costs are allocated between EEC_{Exp1} and EEC_{Exp2}. Settlement at Appendix A. The OCA submits that the proposed modifications resolve the OCA's identified concerns in OCA witness Crandall's testimonies and should be approved as in the public interest. The modifications will provide greater clarity regarding the how the cost elements are recovered through Rider.

D. Residential Low-Income Program. **(Settlement at ¶ 33)**

OCA witness Crandall and CAUSE-PA witness Grevatt recommended that the Companies continue to coordinate the Act 129 low-income programs with other available programs. OCA St. 1 at 4, 20; CAUSE-PA St. 1 at 21-23. The Settlement adopts this recommendation and provides that the Companies "will continue to coordinate their low-income energy efficiency programs with other programs in their service territory and will present and solicit input on their coordination efforts with stakeholders on an annual basis throughout Phase IV implementation." Settlement at ¶ 33. The OCA submits that this Settlement term will ensure that the Companies will maximize the use of ratepayer dollars in conjunction with available federal funds and other energy efficiency programs.

III. CONCLUSION

The OCA submits that the terms and conditions of the proposed Settlement of the FirstEnergy Companies' EE&C proceedings represent a fair and reasonable resolution of the issues and claims arising in this matter. If approved, the proposed Settlement will benefit the Commission and all Parties by foregoing the additional costs of litigation and will provide consumers with a reasonable EE&C Plan. For the foregoing reasons, the Office of Consumer Advocate submits that the proposed Settlement is in the public interest and in the interest of each of the FirstEnergy Companies' respective customers, and therefore should be approved.

Respectfully Submitted,

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DATE: February 16, 2021

Appendix D

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Joint Petition for Consolidation of Proceedings and Approval of the Phase IV Energy Efficiency and Conservation Plan of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company	:	**Docket No. M-2020-3020820 M-2020-3020821 M-2020-3020822 M-2020-3020823**

STATEMENT OF THE OFFICE OF SMALL BUSINESS ADVOCATE
IN SUPPORT OF THE JOINT PETITION FOR SETTLEMENT OF ALL ISSUES

I. INTRODUCTION

The Small Business Advocate is authorized and directed to represent the interests of small business consumers in proceedings before the Pennsylvania Public Utility Commission ("Commission") under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. In order to discharge this statutory duty, the Office of Small Business Advocate ("OSBA") is participating as a party to this proceeding to ensure that the interests of the Commercial/Industrial – Small ("Small C&I-S") customers of the Metropolitan Edison Company ("Met-Ed"), Pennsylvania Electric Company ("Penelec"), Pennsylvania Power Company ("Penn Power"), and West Penn Power Company ("West Penn") (collectively, "First Energy" or "Companies") are adequately represented and protected.

II. PROCEDURAL BACKGROUND

On November 30, 2020, the Companies filed a Joint Petition for Consolidation of Proceedings and Approval of the Phase IV Energy Efficiency and Conservation Plan ("EE&C Plan") ("*Joint Petition*"). On December 11, 2020, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA") filed an Answer to the *Joint Petition* and also filed a Petition to Intervene.

On December 21, 2020, the OSBA filed a Notice of Appearance, Public Statement, and Notice of Intervention. On December 21, 2020, the Office of Consumer Advocate ("OCA") filed a Notice of Intervention and Public Statement. The Community Action Association of Pennsylvania ("CAAP") filed a Petition to Intervene on December 21, 2020.

A Pre-Hearing Conference Order and Notice were issued on December 30, 2020 scheduling a telephonic pre-hearing conference in this matter for January 5, 2021 before Administrative Law Judge ("ALJ") Mark A. Hoyer.

On January 4, 2021, a Joint Petition to Intervene was filed on behalf of the Met-Ed Industrial Users Group ("MEIUG"), Penelec Industrial Customer Alliance ("PICA"), and West Penn Power Industrial Intervenors ("WPPII").

A telephonic pre-hearing conference was held on January 5, 2021, during which the request to consolidate these four proceedings for hearing was granted. Additionally, the Petitions to Intervene filed by CAUSE-PA, CAAP, MEIUG, PICA and WPPII were granted without objection.

On January 6, 2021, a Judge Addition Notice was issued adding ALJ Emily I. DeVoe as an additional ALJ in this proceeding.

On January 6, 2021, a Prehearing Order was issued which established a litigation schedule, which included a hearing date of January 22, 2021.

On January 8, 2021, Pennsylvania State University ("PSU") filed a Petition to intervene.

On January 11, 2021, the Companies filed a letter advising it had no objection to PSU's Petition to Intervene.

On January 8, 2021, CAUSE-PA, CAAP, OCA, and OSBA filed a Joint Expedited Motion for Extension of Procedural Schedule ("*Extension Motion*").

On January 11, 2021, Interim Order was issued in which the parties were directed to: 1) file responses, if any, to the *Extension Motion* by January 13, 2021, and 2) file responses, if any, to the Proposed Revised Schedule detailed in the January 11, 2021 Order by January 13, 2021.

The Companies, CAUSE-PA, OCA, and OSBA timely filed responses to the January 11, 2021 Order.

On January 14, 2021, Chief Administrative Law Judge Charles Rainey ("CALJ Rainey") issued an Order Denying the *Expedited Motion*. CALJ Rainey's Order provided that: evidentiary hearings occur on or before February 8, 2021, briefs are to be filed on or before February 8, 2021, reply comments/revised plans are to be filed by March 1, 2021, and the record is to be certified by March 2, 2021.

On January 15, 2021, the ALJs emailed the parties advising that, in light of Chief Rainey's Order, the litigation schedule was suspended and the evidentiary hearing scheduled for January 22, 2021 was cancelled. The email directed the parties to confer regarding a litigation schedule and that a telephonic conference would take place at 9:20 a.m. on January 19, 2021 to set a new litigation schedule and hearing date.

A conference was convened on January 19, 2021 at 9:20 a.m., at which time the parties presented an agreed upon litigation schedule.

On January 19, 2021, the Commission issued a Notice rescheduling the evidentiary hearing for February 5, 2021 at 10:00 a.m.

On January 21, 2021, comments to the Company's Phase IV Plan were filed by the Pennsylvania Coalition of Local Energy Efficiency Contractors ("PA-CLEEC").

On January 22, 2021, comments to the Company's Phase IV Plan were filed by Daikin Industries Ltd., Energy Efficiency for All Pennsylvania Coalition of Pennsylvania ("PA-EEFA"), Community Action Committee of the Lehigh Valley ("CACLV"), Keystone Energy Efficiency Alliance ("KEEA"), and Ceres.

During the proceedings, the parties engaged in extensive formal and informal discovery.

The OSBA did not submit any testimony in these proceedings.

The parties engaged in settlement discussions, and a settlement in principle of all issues was reached. The evidentiary hearing was held on February 5, 2021, at which time the parties waived cross-examination and moved their respective testimony and exhibits into the record. The testimony and exhibits were admitted into the record by the ALJs, and an Interim Order was issued on February 9, 2021 directing the parties to file their admitted evidence with the Commission's Secretary's Bureau.

The OSBA actively participated in the negotiations that led to the proposed settlement, and is a signatory to the Joint Petition For Settlement of All Issues ("*Settlement*"). The OSBA submits this statement in support of the *Settlement*.

III. **STATEMENT IN SUPPORT OF *SETTLEMENT***

The OSBA initially notes that the procedural schedule for this matter impacted the level of scrutiny at which the Companies' filing could be evaluated. Moreover, the Companies credibly argue that the filed EE&C plans are an integrated and balanced whole, reflecting minimum savings requirements, specific carveouts, and budget constraints. As such, changes to any specific features of the plan require offsetting changes elsewhere. Regarding the specific issues raised in the OSBA's prehearing memorandum:

1. The Company reports that the programs for the C&I-S customer group are cost-effective on a Total Resource Cost ("TRC") basis. The Companies report TRC Benefit-Cost Ratios of 1.4 for Met-Ed, 1.4 for Penelec; 1.3 for Penn Power, and 1.2 for West Penn (Appendix B, Table 1). In all cases the Benefit-Cost Ratio is the same as that for the non-low-income Residential class and lower than that for the Commercial/Industrial—Large ("C&I-L") rate class group. Thus, assuming the Company's implementation of the Commission's calculations requirements produces a reasonable costs and benefits, the C&I-S programs are cost-effective.
2. As to whether the programs are reasonably balanced among the rate class groups, the OSBA determined that the Companies' programs represented a significant

shift relative to Phase III, with a significant relative increase in non-residential spending. Spending for C&I-S is generally disproportionately high relative to C&I-S load and distribution costs. The Companies explain that this shift results primarily from the loss of residential potential savings (particularly lighting), combined with the Commission's determination that peak demand reductions were to be achieved through conservation rather than peak shaving measures (which makes C&I-S a more cost-effective target). See OSBA Informal Discovery Request No. 3. Given the constraints cited above, the OSBA did not propose an alternative to this shift.

3. As to whether spending within the C&I-S rate class group is reasonably balanced between small business and non-business customers, the Company reports that it does not track such information, nor does it make an effort to achieve such balance. The OSBA observes that the Companies indicate that they make a special effort to involve non-business governmental/non-profit/institutional ("GNI") customers and multifamily master-metered customers. Rather than attempting to determine whether intra-class spending is balanced, the Companies rely on the Commission's Market Potential Study report. Given the constraints described above, the OSBA did not propose alternatives to the Companies' proposal.

4. Regarding the OSBA's aim for cost balance between the participating customers who benefit from the program and the other customers who subsidize those participants, the Companies provided a comparison that shows that the non-participant (EDC) share of incremental program cost ranged from 42 to 51 percent

across the four Companies, implying that the participants contributed 49 to 58 percent of costs. Attachment A to OSBA Informal Discovery Request No. 1. This comparison appears to exclude program administrative costs, which are all borne by the non-participants. Nevertheless, the relative participant contribution for the C&I-S customers is generally higher than that for Residential customers, but lower than that for C&I-L customers. Given the constraints for this proceeding, the OSBA did not propose an alternative to the Companies' proposal.

Furthermore, the OSBA participated in the discussions that ultimately led to the terms outlined in the *Settlement* and is satisfied that the terms of the *Settlement* are not materially worse for small businesses than those offered by the Companies in the initial filing, and they are therefore unobjectionable to resolve the above-captioned matter without further litigation. The OSBA has therefore concluded that the *Settlement* is reasonable and in the interests of the Companies' C&I--S customers.

IV. CONCLUSION

Settlement of this proceeding avoids the litigation of complex, competing proposals and saves the possibly significant costs of further administrative proceedings. Such costs are borne not only by the Joint Petitioners, but ultimately by the Companies' customers as well. Avoiding further litigation of this matter will serve judicial efficiency, and will allow the OSBA to more efficiently employ its resources in other areas.

For the reasons set forth in the *Settlement*, as well as the additional factors enumerated in this statement, the OSBA supports the proposed *Settlement* and respectfully requests that ALJs Hoyer and DeVoe and the Commission approve the *Settlement* in its entirety without modification.

Respectfully submitted,

/s/ Erin K. Fure
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Dated: February 16, 2021

Appendix E

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Joint Petition for Consolidation and Approval	:	
of the Act 129 Phase IV Energy Efficiency	:	M-2020-3020820
and Conservation Plan of Metropolitan	:	M-2020-3020821
Edison Company, Pennsylvania Electric	:	M-2020-3020822
Company, Pennsylvania Power Company,	:	M-2020-3020823
and West Penn Power Company	:	

COMMUNITY ACTION ASSOCIATION OF PENNSYLVANIA'S STATEMENT IN SUPPORT OF SETTLEMENT

NOW COMES the Intervenor, the Community Action Association of Pennsylvania (CAAP) and files this Statement in Support of the settlement reached in the above-captioned matter stating as follows:

1. CAAP is a not-for-profit Pennsylvania corporation and a statewide association representing Pennsylvania's community action agencies that provide anti-poverty planning and community development activities for low-income communities and services to individuals and families.

2. CAAP has been directly involved in assuring that low-income persons' utility costs are contained through counseling, advice, payment assistance and energy conservation measures.

3. CAAP intervened in this proceeding to address, on behalf of its clients, the low-income component of the Companies' Plans.

4. CAAP submitted the rebuttal testimony of Susan Moore (CAAP Statement No. 1-R).

5. Ms. Moore's testimony supported the recommendation of CAUSE-PA and addressed the need for more comprehensive, long-lasting measures to be provided to low-income ratepayers.

6. In the settlement, the Companies have agreed to increase the number of comprehensive measures in the low-income portions of their plans.

7. CAAP believes that the settlement as it relates to measures available to low income customers will result in lower energy use and utility costs for those vulnerable customers. Further, those additional measures that promote conservation will benefit the public generally.

8. CAAP did not submit testimony relative to other issues presented in this case so this statement in support will not address those issues.

WHEREFORE, CAAP respectfully requests that the settlement be approved.

Respectfully submitted,

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Appendix F

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petitions of Metropolitan Edison Company,	:	M-2020-3020820
Pennsylvania Electric Company, Pennsylvania	:	M-2020-3020821
Power Company, and West Penn Power	:	M-2020-3020822
Company for Approval of their Act 129	:	M-2020-3020823
Phase IV Energy Efficiency and Conservation	:	
Plans	:	

STATEMENT OF THE COALITION FOR AFFORDABLE UTILITY SERVICES AND ENERGY EFFICIENCY IN PENNSYLVANIA IN SUPPORT OF THE JOINT PETITION FOR APPROVAL OF JOINT PETITION FOR SETTLEMENT OF ALL ISSUES

The Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"), a signatory party to the Joint Petition for Settlement of All Issues ("Joint Petition" or "Settlement"), respectfully requests that the terms and conditions of the Settlement be approved by the Honorable Deputy Chief Administrative Law Judge Mark A. Hoyer and Honorable Administrative Law Judge Emily DeVoe (collectively "ALJs") and the Pennsylvania Public Utility Commission ("Commission") without modification. For the reasons stated more fully below, CAUSE-PA believes that the terms and conditions of the Settlement are in the public interest, are consistent with the Commission's Phase IV Final Implementation Order[1], and should be approved without modification.

[1] Act 129 Energy Efficiency and Conservation Program, M-2020-3015228, Final Implementation Order (June 18, 2020) (hereinafter "Ph. IV Implementation Order").

I. INTRODUCTION

CAUSE-PA intervened in this proceeding to ensure that the Act 129 Phase IV Energy Efficiency and Conservation Plans of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company (Collectively "First Energy" or "Companies") are appropriately designed to provide affordable and accessible energy efficiency measures for low income customers and other vulnerable consumer groups, consistent with the Commission's Phase IV Final Implementation Order. The Settlement, which was arrived at through good faith negotiation by all parties, is in the public interest in that it addresses issues of concern to CAUSE-PA, balances the interests of the parties, and fairly resolves a number of important issues in the proceeding. If approved, the Settlement will avoid substantial litigation and associated costs and will eliminate the possibility of further Commission litigation and appeals, along with their attendant costs. As such, we assert that the Settlement should be approved without modification.

II. BACKGROUND

CAUSE-PA adopts the background as set forth in Paragraphs 1-26 of the Joint Petition. By way of further background, CAUSE-PA submitted the expert testimony of Mr. Jim Grevatt in this proceeding. (CAUSE-PA St. 1). Mr. Grevatt identified several issues regarding the Companies proposed plan. Mr. Grevatt explained that the Companies' serve a large number of low income customers who struggle to afford utility service and that need energy efficiency programs to help control their usage and, in turn, their monthly electric bills. (Id. at 11-20, 30-32). Regarding the Companies' plans to meet their low income savings targets, Mr. Grevatt concluded that the Companies placed too little emphasis on comprehensive energy savings initiatives and derived too much of their low income savings targets through the Behavioral Savings, School Education, and other low-impact measures. (Id. at 4, 20-26). As he explained, this was inconsistent with the Commission's Phase IV Final Implementation Order, and undermined the Commission's important and explicit goal to ensure that Phase IV programming delivers deeper, longer-lasting energy and bill savings for low income consumers. (Id. at 4, 19, 21). Mr. Grevatt also pointed out that certain measures offered as part of the low income programs either were implausible for income households, required unaffordable up-front payments, or were projected to serve few to no low income customers. (Id. at 4, 26-29).

III. CAUSE-PA SUPPORT FOR THE SETTLEMENT

The following terms of the Settlement address issues of concern raised by CAUSE-PA, as explained in Mr. Grevatt's testimony, and reflect a carefully balanced compromise of the varied interests in this proceeding. As such, CAUSE-PA urges ALJ Hoyer, ALJ DeVoe, and the Commission to approve the Settlement without modification.

1. Additional Focus on Comprehensive Measures

The Settlement provides that the Companies will shift 30% of the projected MWh savings from the Limited Income School Education subprogram to insulation, air sealing, duct sealing, heat pumps and residential heat pump water heaters delivered through the Low Income Weatherization and/or Low Income Multifamily subprograms. (Joint Petition at ¶ 29). Additionally, the Companies will target a proportional number of low income schools through the general residential Energy Efficient Homes School Education program. (Joint Petition at ¶ 30). The Companies will also be required to decrease their Residential Behavioral and Limited Income Behavioral subprogram MWh savings by 13% each and target equivalent increases in MWh savings from the Residential Energy Efficient Products Appliances and/or Residential Multifamily subprograms and the Low Income Weatherization and/or Low Income Multifamily subprograms.

(Joint Petition at ¶ 36). These funds will be used to fund insulation, air sealing, duct sealing, heat pumps, residential heat pump water heaters and residential appliances. (Id.).

CAUSE-PA asserts that these provisions represent a reasonable compromise that appropriately balances the interests of the parties and interested stakeholders. As noted above, Mr. Grevatt explained in testimony that the Companies plans, as proposed, placed too little focus on comprehensive energy savings initiatives and derived too much of their low income savings targets through behavioral and educational measures, and other low impact measures that do not produce lasting and measurable bill savings for low income consumers. (CAUSE-PA St. 1 at 4, 20-26). Mr. Grevatt specifically pointed out an over reliance on the Low Income School Education Program, which he only provides limited savings to individual households and is substantially similar to the Companies general residential school education program. (Id. at 24-25). The Settlement fairly addresses this concern, in balance with other issues and interests in this proceeding, because it requires the Companies to measurably increase its reliance on comprehensive direct install measures to achieve the low income savings requirements. Additionally, by requiring that the Companies continue to target a proportional number of low income schools through the general residential program, the Settlement helps ensure that the shift to deliver more comprehensive measures will not impact the number of low income schools served.

2. Providing Better Access to Low Income Energy Efficiency Measures

The Settlement also provides that the Companies will remove a number of low income rebate offerings for which low income customers are unlikely to participate, and reallocate the associated budgets to prioritize higher efficiency equipment for low income participants. (Joint Petition at ¶ 31). For example, the Companies will no longer include low income rebates for electric vehicle charging cords or pool pumps in its low income program, as these measures are highly unlikely to be adopted by low income households. (See CAUSE-PA St. 1 at 27-29). CAUSE-PA asserts that this provision represents a reasonable compromise that appropriately balances the interests at stake. As noted above, Mr. Grevatt explained that certain measures offered as part of the Companies' low income programs either were implausible for income households or required unaffordable up-front payments. (CAUSE-PA St. 1 at 4, 26-29). This provision helps address that concern by removing the unfeasible measures and providing direct install measures to low income at no upfront cost to the customer, which will provide meaningful long term savings to these low income households.

Additionally, the Companies will target the installation of 75 heat pump water heaters and/or ductless mini-split heat pumps annually under its Low Income Energy Efficiency Program, at no upfront cost to the consumer. (Joint Petition at ¶ 32). As Mr. Grevatt explained in testimony, the Commission has stated its preference for "the lasting peak demand reductions achieved by [energy efficiency] measures," and directed the EDCs should "increase their focus on more comprehensive measures."[2] (See CAUSE-PA St. 1 at 32). However, as Mr. Grevatt also explained, low income households struggle to afford electric service and lack the resources to afford the upfront cost of these measures. (CAUSE-PA St. 1 at 13-16). This provision helps address these concerns by ensuring that low income households will receive comprehensive direct install measures at no upfront cost, which will provide immediate and long lasting energy savings to these households and help ensure that access to these measures in not impeded by the customers' lack of resources.

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[2] See also Ph. IV Implementation Order at 8,17,34.

3. Additional Terms

The Settlement provides that the Companies will continue to coordinate their low income energy efficiency programs with other programs in their service territory and will present and solicit input on their coordination efforts with stakeholders on an annual basis. (Joint Petition at ¶ 33). As Mr. Grevatt explained in testimony, coordinated delivery provides a cost-efficient means of delivering significant savings to the Companies' customers. (CAUSE-PA St. 1 at 23). This provision of the Settlement will help ensure that low income customers receive comprehensive treatment across multiple programs whenever possible.

The Settlement also provides that the Companies will continue to implement their low income programs after meeting the low income carve-outs subject to the Commission-approved budget for the programs. (Joint Petition at ¶ 34). This provision will help ensure that the Companies' low income programs will continue to serve customers even after the Companies have achieved their low income savings targets and will not prematurely "go dark" before the program budgets are expended. This will, in turn, help ensure that the Companies' low income programs reach as many households as possible within the allotted budget.

Finally, under the terms of the Settlement, the Companies will develop a list of available housing rehabilitation providers in their service territories that will be provided to households served through Act 129 programs when health and safety issues are identified in the home that cannot be remediated through the Companies' existing programming. (Joint Petition at ¶ 35). The Companies will work with their universal service program administrators to help create and maintain the list for use by the Companies' Low Income Conservation Service Provider. (Id.). Unfortunately, homes with health and safety issues that prevent energy efficiency and conservation measures from being installed are often most in need of energy efficiency services. For example, a hole in the roof may prevent installation of insulation. By improving cross-program referrals to address health and safety issues necessary to perform energy efficiency, this Settlement term will help ensure that health and safety issues in low income homes do not foreclose households most in need from accessing comprehensive energy efficiency measures.

IV. CONCLUSION

CAUSE-PA submits that the proposed Settlement, which was achieved by the Joint Petitioners after an investigation of the Companies' filing, is in the public interest, and should be approved. Acceptance of the Settlement avoids the necessity of further administrative and possibly appellate proceedings regarding the settled issues at what would have been a substantial cost to the Joint Petitioners and the Companies' customers. Accordingly, CAUSE-PA respectfully requests that ALJ Hoyer, ALJ DeVoe, and the Commission approve the Settlement without modification.

Respectfully submitted,
PENNSYLVANIA UTILITY LAW PROJECT
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February 16, 2021

Appendix G

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Joint Petition for Consolidation of Proceedings and Approval of the Phase IV Energy Efficiency and Conservation Plan of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company	:	Docket Nos. M-2020-3020820 M-2020-3020821 M-2020-3020822 M-2020-3020823

STATEMENT IN SUPPORT OF
THE MET-ED INDUSTRIAL USERS GROUP,
THE PENELEC INDUSTRIAL CUSTOMER ALLIANCE, AND
THE WEST PENN POWER INDUSTRIAL INTERVENORS

The Med-Ed Industrial Users Group ("MEIUG"), the Penelec Industrial Customer Alliance ("PICA"), and the West Penn Power Industrial Intervenors ("WPPII") (collectively, "Industrial Customer Groups"), by and through their counsel, submit that the Joint Petition for Settlement ("Joint Petition" or "Settlement"), filed in the above-captioned proceedings, is in the public interest and represents a fair, just, and reasonable resolution of the Metropolitan Edison Company's ("Met-Ed"), Pennsylvania Electric Company's ("Penelec"), Pennsylvania Power Company's ("Penn Power"), and West Penn Power Company's ("West Penn") (collectively, "Companies") Petition for approval of their Act 129 Phase IV Energy Efficiency and Conservation ("EE&C") Plans ("Petition" or "Phase IV EE&C Plan"). As a result of settlement discussions, the Companies, the Industrial Customer Groups, the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"), the Community Action Association of Pennsylvania ("CAAP"), and the Pennsylvania State University ("PSU") (collectively, "Parties" or "Joint Petitioners") have agreed upon the terms embodied in the foregoing Settlement. The Industrial Customer Groups offer this Statement in Support to further demonstrate that the Settlement is in the public interest and should be approved without modification.

I. BACKGROUND

1. On November 30, 2020, the Companies filed with the Commission the aforementioned Petition. Specifically, the Petition outlined the Companies' proposals to address the requirements of Act 129 and the Commission's Phase IV Implementation Order entered on June 18, 2020, at Docket No. M-2020-3015228.

2. On January 4, 2021, the Industrial Customer Groups filed a Petition to Intervene to the Companies' Petition. The Industrial Customer Groups are *ad hoc* associations of energy-intensive customers receiving electric service in the Companies' service territories. As some of the Companies' largest customers, whose manufacturing and operational processes require significant amounts of electricity, any proposed modifications to the Companies' electric rates could significantly impact the Industrial Customer Groups' production and operational costs.

3. A Prehearing Conference was held on January 5, 2021, before Deputy Chief Administrative Law Judge ("ALJ") Mark A. Hoyer and ALJ Emily I. DeVoe. A procedural schedule was established for discovery, written testimony, settlement discussions, and hearings.

4. On or about February 5, 2021, the Parties informed the ALJs that a settlement in principle had been reached on all issues in these proceedings.

II. STATEMENT IN SUPPORT

6. The Commission has a strong policy favoring settlements. As set forth in the PUC's Regulations, "[t]he Commission encourages parties to seek negotiated settlements of contested proceedings in lieu of incurring the time, expense and uncertainty of litigation." 52 Pa. Code § 69.391; *see also* 52 Pa. Code § 5.231. Consistent with the Commission's Policy, the

Joint Petitioners engaged in negotiations to resolve the issues raised by various parties. These ongoing discussions produced the foregoing Settlement.

7. The Joint Petitioners agree that approval of the proposed Settlement is in the best interest of the parties involved.

8. The Settlement is in the public interest for the following reasons:

a. As a result of the Settlement, expenses incurred by the Joint Petitioners and the Commission for completing this proceeding will be substantially less than they would have been if the proceeding had been fully litigated.

b. Uncertainties regarding further expenses associated with possible appeals from the Final Order of the Commission are avoided as a result of the Settlement.

c. The Settlement results in terms and provisions that present a just and reasonable resolution of the Companies’ proposed Phase IV EE&C Plans.

d. The Settlement reflects compromises on all sides presented without prejudice to any position any Joint Petitioner may have advanced so far in this proceeding. Similarly, the Settlement is presented without prejudice to any position any party may advance in future proceedings involving the Companies.

9. The Settlement also satisfies certain specific concerns of the Industrial Customer Groups by providing that, to the extent that the Companies change Conservation Service Providers (“CSPs”) for Phase IV, the Companies will provide advance notice of such changes through both their program website and program allies. *See* Settlement, ¶ 38. In addition, for Phase III pre-approved projects that have not been completed prior to the conclusion of Phase III, applications will be processed as part of the same Phase IV programs without re-application, consistent with the Companies' review and eligibility requirements. *See* Settlement, ¶ 37. Further, upon request from a signatory of the Settlement and subject to execution of a confidentiality agreement, the Companies will provide the aggregate amount of energy efficiency

resources offered and cleared in all PJM forward capacity market auctions that occurred during the applicable Plan year, as well as the applicable auction clearing prices. *See* Settlement, ¶ 40.

10. In addition, as part of this proceeding, the Industrial Customer Groups sought and received confirmation from the Companies regarding certain issues. For example, the Companies confirmed that, for purposes of bidding energy efficiency projects into PJM's Forward Capacity Markets, the Companies will retain the capacity rights for all energy efficiency resource attributes created by participation in Phase IV. *See* MEIUG-PICA-WPPII Hearing Exhibit No. 1. Confirmation of ownership of only the capacity rights is important to the Industrial Customer Groups to ensure that Large Commercial and Industrial ("C&I") customers implementing projects under Phase IV will retain ownership of other project-specific attributes, such as accompanying environmental attributes. Similarly, the Companies noted that the increase in budgets in Phase IV for the Large C&I customer classes stemmed, in part, from Pennsylvania Act 129 – Phase IV Energy Efficiency and Peak Demand Reduction Market Potential Study Report ("PA-MPS") prepared by the Pennsylvania Statewide Evaluation Team. According to the Companies, as documented in the PA-MPS, "the Companies' Phase IV Plan has a shift of savings (and budgets) from the residential to the non-residential sectors compared to prior Phases...." *See* MEIUG-PICA-WPPII Hearing Exhibit No. 1. Increases in the Large C&I customer class budget translate to increases in electricity costs, which can significantly impact Large C&I customers due to the large amounts of electricity these customers consume in their operational and manufacturing processes. As a result, the Industrial Customer Groups plan to focus, in any future phases of Act 129, on the PA-MPS to ensure any proposed shift of savings also recognizes the potential hardship on the Large C&I customer class due to the resulting shift in budgets.

11. The Industrial Customer Groups support the Settlement because it is in the public interest; however, in the event that the Settlement is rejected by the ALJs or the Commission, the Industrial Customer Groups will resume their litigation positions, which may differ from the terms of the Settlement.

11. As set forth above, the Industrial Customer Groups submit that the Settlement is in the public interest and adheres to the Commission's policies promoting negotiated settlements. The parties achieved the Settlement after settlement discussions including all active parties. While the Joint Petitioners have invested time and resources in the negotiation of the Settlement, this process has allowed the parties, and the Commission, to avoid expending the substantial resources that would have been required to fully litigate this proceeding while still reaching a just, reasonable, and non-discriminatory result. The Joint Petitioners have thus reached an amicable resolution to this dispute as embodied in the Settlement. Approval of the Settlement will permit the Commission and Joint Petitioners to avoid incurring the additional time, expenses, and uncertainty of further current litigation of issues in these proceedings. *See* 52 Pa. Code § 69.391.

III. CONCLUSION

WHEREFORE, the Met-Ed Industrial Users Group, the Penelec Industrial Customer Alliance, and the West Penn Power Industrial Intervenors respectfully request that the Pennsylvania Public Utility Commission approve the Joint Petition for Settlement submitted in these proceedings.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

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Dated: February 16, 2021

Appendix H